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NEWS SUMMARY

GENERAL BUSINESS

Hospitals strike is a success say unions

Equities up 1.4; £ falls 1 cent

National Health Service trade unions claimed success as more than 60,000 non-NHS workers joined their third 24-hour strike...

STERLING closed in London 1 cent down on the day at \$1.782...

Airliner crashes

All 135 people, including nine who were killed when a Boeing 737 of Brazilian airline Varig crashed in mountains near Fortaleza...

Pope for Poland

Polish church and state authorities have agreed on a visit to Poland by the Pope in August.

Flights cut

British Airways cancelled 16 of its 23 intercontinental flights in a dispute with cabin crews...

Windor sears

The Queen Mother was safe yesterday after a mid-air scare over Windsor when her helicopter developed a fault seconds after take-off...

Father punished

A Birmingham man who assaulted his three-month-old daughter after her crying awoke him, fracturing her skull and causing permanent brain damage...

Third World call

Ways to channel money to the Third World to avert energy crises were called for by the chairman of the International Energy Development Corporation...

Fraser's threat

Australian Premier Malcolm Fraser said that if necessary he would recall Parliament to overturn Victoria's plan to make the State a nuclear-free zone.

Moonies raided

French police raided centres of Sung Myung Moon's Unification Church in Paris and six other cities on a judge's orders...

Wigs off in court

As the heatwave continued, judges and lawyers at the Court of Appeal removed their wigs in anti-drought moves...

Briefly

Westminster Press former managing director William Morrell left £244,458 net. Swiss mountains claimed 217 lives last year...

CHIEF PRICE CHANGES YESTERDAY

Table with columns for RISES and FALLS, listing various commodities and their price changes.

Israeli army in Lebanon near link with Christian forces

BY DAVID LENNON IN TEL AVIV AND NORA BOUTANY IN BEIRUT

ISRAELI armoured forces struck more deeply into Lebanon yesterday and, at nightfall, were near to cutting the main road between Beirut and Damascus...



Reagan calls for freedom crusade

BY REGINALD DALE

PRESIDENT RONALD REAGAN used his historic speech to both Houses of Parliament yesterday to launch a worldwide "crusade for freedom" in which the U.S. would aid democratic forces...

Thatcher rules out new move for ceasefire

BY PETER RIDDELL AND DAVID TONGE

MRS MARGARET THATCHER ruled out any fresh diplomatic initiative at the UN yesterday to secure a ceasefire in the Falklands...

Port Stanley almost sealed off

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITISH forces are believed to be well on their way to sealing off the Argentine garrison in Port Stanley. It was confirmed yesterday that the hills to the north of the Falklands Islands capital have been captured...

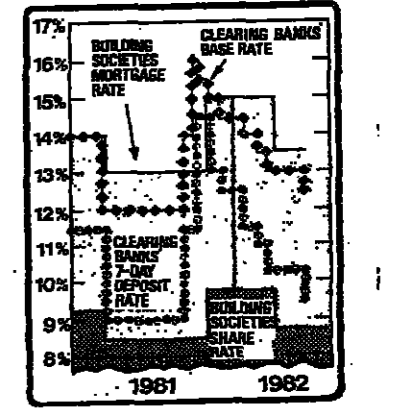
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Major banks cut base lending rates to 12 1/2%

BY PAUL TAYLOR AND MAX WILKINSON

THE major banks lowered their base lending rates yesterday by half a point to 12 1/2 per cent.



Market rates have been lowered by the recent strength of sterling, the market's optimism about the outcome of the Falklands crisis...

The Bank of England indicated strongly in the past few days that it was prepared to sanction a cut in base rates...

Representatives of business, labour and other major institutions of U.S. society would cooperate in the study...

Alliance index-linked plan Page 10; Bank staff may block Saturday opening Page 12; Midland Bank loan stock issue Back Page; Lex Back Page

broad measure of money, has been growing at an annual rate of about 10 per cent since February...

The cut in base rates was the first since March 1 and the seventh reduction since base rates stood at 18 per cent in October...

The banks are reducing their deposit rates to savers at the same time, to 8.5 per cent, a cut of three quarters of a percentage point or half a point...

Table with columns for Spot and Previous, listing interest rates for various terms.

CONSTRUCTIVE ADVICE.

KOMATSU LTD advertisement featuring various construction equipment like bulldozers, excavators, and trucks, with descriptive text and images.

EUROPEAN NEWS

UK and France close to accord on fishing rights

BY LARRY KLINGER IN BRUSSELS

BRITAIN AND France are on the verge of settling their long-standing dispute over fishing rights in British coastal waters. If the talks are finally successful, they could remove the most acrimonious stumbling block to the establishment of an EEC common fisheries policy (CFP), a goal that has eluded the European Community despite six years of almost continuous negotiation.

Comecon summit opens

BUDAPEST — Mr György Lazar, the Hungarian Prime Minister, told the Comecon summit which opened here yesterday that the "most reactionary circles of imperialism" were "trying to freeze mutually advantageous East-West economic relations."

U.S. gloom over steel exports agreement

By Richard Lambert in New York

THE PROSPECTS for reaching a negotiated agreement with Europe on steel exports to the U.S. were "extremely slim," Mr Bill Brock, the U.S. Trade Representative, said in Washington yesterday.

Mr Brock's comments came two days before the U.S. Department of Commerce is scheduled to give a preliminary ruling on whether carbon steel exported by European companies to the U.S. is being sold at unfair prices.

Thursday's decision is regarded by the U.S. steel companies as a crucial event in the unprecedented assault which they launched on steel imports earlier this year.

Around 40 per cent of U.S. steel imports are subject to complaints alleging unfair pricing either due to government subsidies or dumping.

In the past few days, there have been suggestions of a last-minute attempt to reach a voluntary agreement between the U.S. and the European producers in order to avoid what could become a serious international trade issue.

SOCIALISTS GAIN MOST IN LOCAL ELECTIONS

Big Italian parties see support ebb

BY RUPERT CORNWELL IN ROME

THE LATEST round of Italian elections has provided further proof of the broads that the Socialists and their smaller centrist allies are making into the vote of the Christian Democrats and, above all, that of the Communists, traditionally the country's two dominant parties.

Last weekend's voting in 14 towns scattered up and down the country, although the figures represent barely 2 per cent of the total national electorate, the consistency of the trend makes the outcome a useful pointer to the country's political mood.

The biggest victors were the Socialists, who increased their strength in towns of more than 5,000 voters (where results are decided on a proportional basis) by around 4 per cent to almost 14 per cent. But significant gains

were also scored by the other smaller "lay" parties in the present government coalition—the Social Democrats, the Liberals, and the Republican Party headed by Sig Giovanni Spadolini, the Prime Minister. The Christian Democrats and Communists both lost about 2 per cent of their support. But the latter in particular must be deeply worried about their particularly poor showing in the South. In Castellammare di Stabia, close to Naples and regarded as a reliable pointer to trends in the South in general, the Communists lost around 5 per cent of the vote.

Nuclear power scheme takes step forward

BY JAMES BUXTON IN ROME

ITALY'S DRIVE to construct a series of nuclear power stations to stave off the alarming prospect of power shortages towards the end of the decade has taken a modest but significant step forward.

The regional governments of Lombardy and Piedmont, two of the three regions asked by Rome to designate sites for the proposed power stations on their territory, had done so by yesterday's deadline, set six months ago. A third region, Apulia in the south-east, has failed to do so, partly because of a political turmoil in its ruling council.

Any region that has not met the request for the designation of a possible site—which must be chosen in accordance with the national map of seismic data—can have the choice made over its head by the central Government. But such a step would only be taken if it were considered politically opportune.

The designation of a site is only the start of a lengthy process of obtaining further approval, though it means that detailed tests on the site itself can now take place. The next

stage is to gain the firm approval of the local commune or municipality covering the site. Theoretically, this process should take a year and a half, to be followed by the start of construction. It is reckoned that seven years will then be needed for the completion of the plant, and 200MW pressurised water reactor plants.

Obtaining the firm consent of the commune has been a serious stumbling block recently holding up the construction of a plant north of Rome for nearly a year, since site preparation had begun. But opposition to nuclear power has become less strident lately, tending to concentrate on issues of compensation rather than of principle.

The main political parties increasingly have inclined to favour nuclear power, acknowledging its attractions for a country that lacks significant resources of oil and coal. Italy relies on oil for almost all of its energy needs, against an EEC average of 55 per cent. Nuclear power provides an almost negligible proportion of its energy needs, from only three functioning plants.

Because of the failure to commence the building of nuclear and coal fired power stations, Italy has suffered several winters of power cuts and reductions. The situation will improve in the next two years as plant comes on stream, but will then deteriorate in the second half of the decade, since only one large power station has been commenced since 1974.

Go-ahead in Poland for Pope's visit

By Christopher Bobbitt in Warsaw

THE POLISH CHURCH and the state authorities have agreed a visit by the Pope to Poland in August.

After a meeting yesterday in Warsaw, senior Polish bishops issued a communiqué saying they "joyously" repeat their invitation to the Pope to the 600th anniversary celebrations in Cracow, Poland, this August.

This decision was conveyed to the Polish authorities at a church and state meeting which began at the parliament building soon after the bishops' meeting ended. The authorities are expected to approve the visit.

Apparently both sides have agreed that the Pope should go to Cracow, but the programme is still tentative and will depend on political developments.

The visit became possible after the Pope decided to go both to the UK and Argentina, despite the conflict between the two countries.

The Polish Church will be emphasising the pastoral aspects of the visit, and the president set by the visit to Britain and Argentina means that he will be able to keep contacts with Poland's martial law authorities to a minimum.

The proposed visit introduces a new dimension to Poland's rather stagnant political scene, and strengthens the hand of the church in its relations with the authorities and its command of popular attention.

The visit weakens hardline in the establishment, arguing for a policy of no concessions as well as radicals in Solidarity pressing for a "top" negotiation with the Government.

General Jaruzelski's martial law administration, no doubt regards with apprehension the prospects of the massed group out to see the Pope, but evidently the notion that the visit will confer a form of respectability on the regime has outweighed these fears.

Also, the authorities will not doubt have been attracted by the effect the visit could have on Western policy towards Poland, especially as news of the trip comes in the week of the Nato summit and President Reagan's tour of Europe.

The Pope will be coming to celebrate the anniversary of the arrival of the picture of the Black Madonna at Poland's national shrine in Cracow. If there is a sharp deterioration in the political situation then, of course, the visit will become impossible. This conviction will no doubt add weight to the efforts of the church and moderates in the party leadership like Mr Kazimierz Barcikowski to maintain the social peace and start talks on a national accord before August.

The church, too, will now no doubt launch a programme preparing the faithful for the visit, which the radicals will avoid disrupting with calls for demonstrations or strikes.

In a reassuring signal to the Polish authorities, the Pope has made Bishop Bronislaw Dabrowski secretary of the Polish bishops' conference. He has been responsible for contacts with the authorities for many years.

Oslo Government wins backing for policy change

BY FAY GJETER IN OSLO

NORWAY'S minority Conservative Government has won narrow Parliamentary approval for an industrial project which represents a significant change of policy from that of the previous Labour administration.

Parliament voted 79-78 to cancel plans to build a state-owned aluminium plant in Tysedal, where an obsolete smelter was scrapped several years ago. But in order to provide work for some of the 260-strong labour force previously employed in aluminium smelting, it approved the Government scheme to build an ilmenite smelter which will make titanium and pig iron.

The ilmenite plant will cost less, use much less electricity and make products for which there is a better market. Aluminium smelters in Norway are losing Nkr 1,000 (£20) on every tonne they produce because of world over-supply.

The government feared that another aluminium plant—in addition to its high initial cost—would saddle the state with a loss-making enterprise which would have to be subsidised because of its vital role as a provider of jobs in a small community. Norway already has several of these, all based on cheap hydro-electric power.

The local, state-owned company has a "right" to the amount of cheap electricity which an aluminium smelter would have used as an ilmenite smelter, therefore it will be able to sell its surplus power. This will also improve the economics of the project.

The Labour Party and its parliamentary ally, the small Socialist Left Party, claim the Government has betrayed the interests of the local population. They point out that an ilmenite plant will provide only 177 jobs, compared with 262 for the aluminium smelter.

An MP of the far right Progress Party said both projects were just job creation experiments at the taxpayers' expense.

Portugal's MPs set time limit for constitution

By Diana Smith in Lisbon

AFTER A week's haggling, the Portuguese Parliament has agreed to devote 100 hours to debating proposed alterations to the 1976 constitution.

Only when the constitution is reviewed and the Military Council of the Revolution is disbanded, to be replaced by a civilian Council of State and Constitutional Tribunal, can crucial supplementary legislation be introduced, re-opening banking and insurance to private capital.

The Communist Party, opposed to any liberalisation of the Socialist-inspired constitution, wanted no time limits for the debate because of their vital importance.

As it is, the reforms for which all eight parties represented in Parliament have offered proposals—were months overdue. With an extension of the legislature into late July, they could be discussed and voted on before the two-month summer break, but the proceedings so far have been so sluggish that this may be optimistic.

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Advertisement for Bank of Tokyo (Curaçao) Holding N.V. Curaçao, Netherlands Antilles, DM 50,000,000, 8 1/2% Deutsche Mark Bonds of 1982/1987. Includes logo and a list of participating banks.

Handwritten Arabic text: ٥٥٥ من الأصل

Economic outlook gloomy for Dutch

By Walter Ellis in Amsterdam

THE Netherlands' economy is going down hill fast, Mr Dries van Agt, the Prime Minister, told Parliament yesterday, promising urgent remedial action. His pessimistic outlook is confirmed by the latest report of the Dutch Central Planning Bureau, which expects unemployment to rise again this year. It also forecasts stagnant industrial production, a rise in wages above the projected rate of inflation, and a decline in the standard of living.

The Bureau says unemployment could reach 525,000 this year, or more than 10 per cent of the workforce. Prices are likely to rise by 5.5 to 6 per cent and wages by an average of 6.5 per cent.

The rate of productivity gains in the Netherlands has been declining for some time, and the Bureau foresees little change in this pattern this year. Exports, it says, could push up manufacturing output by 2 per cent. Construction, however, should fall by 3.5 per cent, and there could also be a drop in the level of energy production.

In the Bureau's opinion, wage rises, though above the level of inflation, will not be enough to compensate for large rises in social security contributions, the current 0.5 per cent employment surcharge on income tax and cutbacks in family allowances—all brought in within the last year.

Turning to company performance, the Bureau perceives some recovery of the very low rate of private profitability, but links this to the continuation of low interest rates. It sees private investment falling by 2 per cent, corporate investment by 3 per cent, housebuilding by 3 per cent, and government spending on capital projects by 1.5 per cent.

Export performance is expected to remain good, with a projected 2 per cent increase keeping the country in step with the general trend in world trade. The rise, according to the Bureau, will take place despite a 12 per cent fall in the volume of natural gas exported.

Dissension in the ranks of West Germany's peace movement

BY JAMES BUCHAN IN BONN

Reagan visit worries West Berlin

FOR DAYS Herr Richard von Weizsäcker, West Berlin's governing Mayor, has been urging West Berliners to give a "heartfelt welcome" to President Ronald Reagan who is coming to Berlin to "get to know us better," writes Leslie Collis in Berlin.

Mr Reagan said recently he was anxious to learn the motive of those people who were planning to demonstrate against him on his trip. But neither welcome nor protesters will get very close to the President, who will begin what security officials call the most hazardous portion of his European trip when he arrives in West Berlin on Friday morning.

More than 180 groups plan to hold a massive rally tomorrow, parallel to the one in Bonn, against Nato's

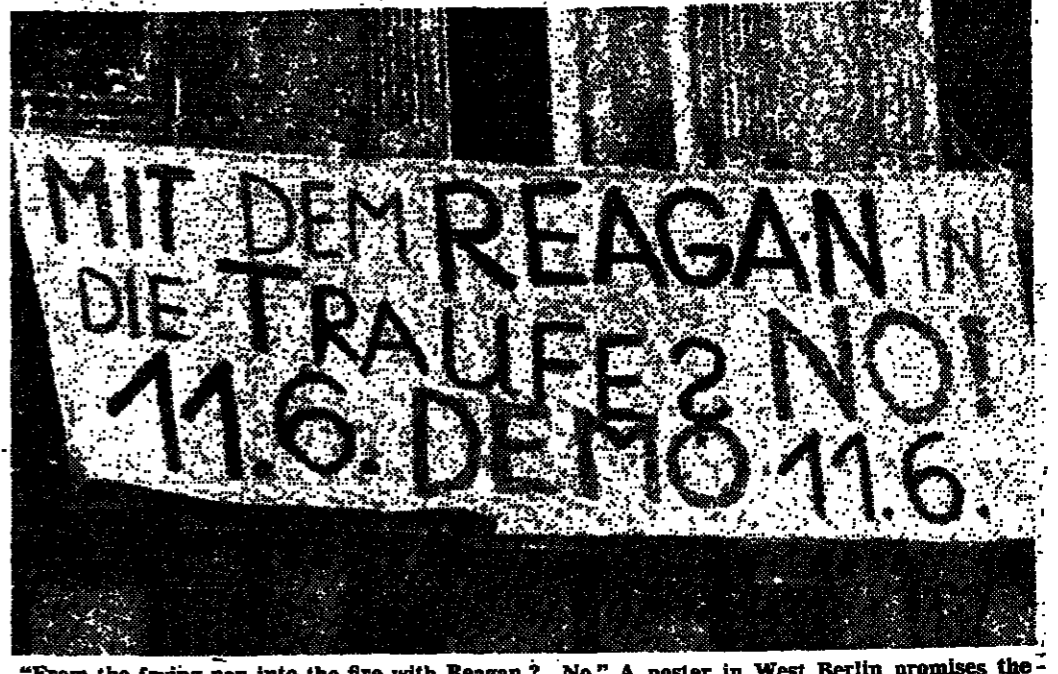
decision to introduce new U.S. nuclear missiles to West Germany.

The city's Far Left Alternative List (AL) party applied for permission to demonstrate on Friday outside Charlottenburg Castle when President Reagan is to speak to 20,000 invited West Berliners. The police, however, said the rally outside could not take place until the President had left Berlin at 2.30 pm. The AL has promised to "stage imaginative peaceful actions" to undermine the Mayor.

West German and U.S. security officials speak of "violent elements" from all over West Germany, converging on West Berlin for the President's visit. The West Berlin police force, which is mobilising its voluntary section for the first time, has

had practice in clearing the streets of demonstrators. At a parade on the recent Allied Forces day demonstrators who ventured on to the boulevard were dragged into immediate custody by the not-always gentle riot police.

For weeks the police have been removing slogans such as "Reagan go home" and much more explicit exhortations from building walls. Anti-Reagan stickers have been impounded; along with a tape containing battle sounds which was allegedly to be played in public on President Reagan's arrival. Such pre-emptive measures were carried out without regard for legal counter-action under two Allied orders dating from the 1950s which ban publications containing "derogatory remarks" about the occupying powers.



"From the frying pan into the fire with Reagan? No." A poster in West Berlin promises the leader a hot reception.

former officers of the Bundeswehr, such as ex-General Gerd Bastian—a spokesman to the young people around him—who seems to argue that since nobody knows how the Soviet Union is deterred it would be worth examining deterrence at a much lower level of armament.

One goal upon which practically all of the demonstrators are agreed is to prevent the deployment, starting at the end of 1983, of new U.S.-medium range nuclear missiles in West Germany and four other Western European countries. Deployment will go ahead if there is no progress made at talks on intermediate-range Nuclear Missiles (INF) between the U.S. and the Soviet Union in Geneva.

"We are all agreed on INF," Herr Leinen says, "and probably also on a nuclear-free zone in Europe. Beyond that, and his voice is lost in the rattle of typewriters and the chaos of excitement of the peace committee's office.

The differences are manifold but chiefly concern the attitude to be taken to the Soviet Union, and its build-up of weaponry, notably the 200 and more SS-20 intermediate-range missiles installed since 1978; the special position of West in relation to East Germany, where an analogous peace movement has been heavily stamped on; and to what extent the peace movement should be held back from avowed anti-Americanism reminiscent of the time of the Vietnam war.

Matters came to a head at a meeting to discuss tomorrow's rally in April in Bad Godesberg, an even more staid town just upstream from Bonn. The Protestant church and the ecologists, including the Greens, who formed a federal political party in early 1980, strongly resented the concentration on U.S. iniquity and what they considered to be packing of the meeting by the orthodox West German communist party (the DKP), and other Marxist groups.

"They played only a tiny role at the October peace demonstration," said Herr Lukas Beckmann, one of the leaders of the Greens. The Greens insisted on having speakers from East Germany and withdrew from the demonstration and refused to sign the declaration. They have now agreed to take part again.

Other peace groups say that the Greens, with 25,000 members, were merely angling for the votes of respectable citizens and have been rewarded by their dazzling success in the Hamburg election last weekend, where a Green grouping emerged as third strongest party. Indeed, their headquarters in Bonn, neatly squeezed between the Social Democrats and the Christian Democrats, is scarcely distinguishable from these political barracks except that the Greens' lawn is left unmown, in organic profusion.

Herr Beckmann denies these charges. The Greens have accepted the demonstration's manifesto but added a rider. This takes over the symbol of the East German peace movement. Swords into Ploughshares, but adds "in East and West." "The best hope for our aims is a dismantling of the

great power blocks," Herr Beckmann says.

Another group, Action for Reconciliation, which was strongly involved last October, has withdrawn entirely because of what they believe is an anti-U.S. slant.

Herr Leinen insists that the demonstration is not designed at the person of Ronald Reagan, but that a Nato summit is a Nato summit and the U.S. is its greatest power. "I expect the movement to take a much greater interest in the numbers and details of Soviet nuclear armament in the next months," he says.

Nevertheless, the demonstration's manifesto holds closely to the Soviet view over what, in the field of intermediate-range missiles, ought to be negotiated at Geneva and the movement accepts the Soviet contention of Nato superiority.

Apel urges that detente policy be continued

BY JONATHAN CARR IN BONN

WEST GERMANY has urged that the policy of detente with the East bloc be pursued despite setbacks, and stressed that it would suffer most in any future European war.

Herr Hans Apel, the Defence Minister, makes these points in an article published today on the eve of the summit conference here of the North Atlantic Treaty Organisation.

He stresses that the alliance must not neglect its conventional forces, so that it can resist attack from the East effectively without early resort to nuclear weapons. He also points out, however, that a key hope of

detente is that it will help achieve through negotiation a rough East-West military balance at the lowest possible level of force.

One of Bonn's principal aims at the summit is to gain endorsement of these two principles—military preparedness and detente—from all participants, including the United States.

The West Germans are likely to gain what they are after, although the word "real" or "genuine" may be inserted before the word "detente" at the urging of Washington. The "Bonn declaration" of


Nato could then be used by West Germany as implicit backing for a continuation of its Ostpolitik—not least of its efforts to improve relations with the other German state.

In his article Herr Apel stresses that all Nato states share the burdens and risks of the alliance, but that if it comes to a war then West Germany will be the battlefield.

Even neighbouring states like France and Britain—let alone the U.S.—are in a more satisfactory position than West Germany, although they have their own troops on German soil, Herr Apel says.

While supporting maintenance of Nato's conventional strength, the Minister also speaks out against the recent suggestion by former high U.S. officials that Nato formally renounce first use of nuclear weapons to halt a Soviet conventional attack.

This proposal, says Herr Apel, would imply an actual strengthening of the West's conventional forces. Even if all member states managed to achieve the Nato aim of an annual increase in defence spending of 3 per cent in real terms—and fewer and fewer seem able to do this—the necessary troop strength would not be achieved.



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BRITISH FUNDS

Table of British Funds including Treasury Funds, Five to Fifteen Years, and Over Fifteen Years.

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INT. BANK AND O'SEAS GOVT. STERLING ISSUES

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FT SHARE INFORMATION SERVICE

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Main FT Share Information Service table with columns for various sectors: LOANS, BANKS & H.P., CHEMICALS, PLASTICS, ENGINEERING, DRAPERY AND STORES, BEERS, WINES AND SPIRITS, BUILDING AND CONSTRUCTION, METALS, ELECTRONICS, and PHARMACEUTICALS.

FOOD, GROCERIES—Cont.

Table of Food and Groceries companies.

HOTELS AND CATERERS

Table of Hotels and Caterers companies.

INDUSTRIALS (Miscel.)

Table of Industrial companies (Miscellaneous).

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AMERICAN NEWS

IMF loan policy defended

By Anatole Kaletsky in Washington
BANKS SHOULD consider carefully the economic policies of countries borrowing on international capital markets and should be cautious about providing financing which "only has the effect of allowing a country to continue to live beyond its means," Mr Jacques de Larosiere, managing director of the International Monetary Fund, said yesterday.

In a strong defence of the IMF's policy of promoting economic adjustment by attaching conditions to the loans it makes to deficit countries, Mr de Larosiere called on the Fund's member governments to agree on increases in their fund subscriptions by the end of next year.

The deadline for a review of fund quotas agreed at the recent ministerial meeting at Helsinki should be a "matter of high priority". Without additional quotas the fund would lack the financial leverage it requires to promote adjustment.

Given the necessary resources the IMF will promote "firm and well-conceived adjustment policies by industrial and developing countries alike".

Kirkpatrick attacks Haig 'amateurs'

BY PAUL BETTS IN NEW YORK

MRS JEANE KIRKPATRICK, the abrasive and outspoken U.S. ambassador at the United Nations, is in the headlines again after accusing her country of having behaved "like a bunch of amateurs" in the UN.

The U.S. delegate's latest controversial remarks about Washington's foreign policy were made at a New York luncheon of the conservative Heritage Foundation, and came as relations between Mrs Kirkpatrick and Mr Alexander Haig, the U.S. Secretary of State, reached an all-time low.

In her address to the research group Mrs Kirkpatrick

took pains to say she was not singling out the Reagan Administration but several decades of U.S. foreign policy. But the speech appeared to reflect her frustrations at current U.S. Latin American policies and her personal feud with Mr Haig.

Mrs Kirkpatrick, who has the reputation of the UN of behaving like the typical superpower representative, often wielding the big stick at members of non-aligned countries, has now taken to dressing down her own people.

She claimed the U.S. was impotent in the UN because "we simply have behaved like a bunch of amateurs."

She went on to say: "The decline of U.S. influence in the UN is part and parcel of the decline of U.S. influence in the world. And that is a direct reflection of what has been a persistent empuissance in international relations."

Mrs Kirkpatrick added: "It is very strange that we Americans, who are very good at politics, should be so inept at international politics in arenas such as the United Nations."

She accused her country of "stumbling from issue to issue almost on a mad hatter basis."

She has accused Mr Haig of not understanding Latin American sensibilities and of failing to appreciate U.S. interests in the region.

For his part, Mr Haig is understood to have described Mrs Kirkpatrick as "inherently and emotionally incapable of thinking clearly on this issue because of her close links with Latin America."

The question now is how long can Mrs Kirkpatrick survive in her current position. The average life of the chief U.S. delegate at the UN is about two years and Mrs Kirkpatrick is now nearing the deadline.

Salvador president backed

By Our Washington Correspondent
THE U.S. Ambassador to El Salvador believes that Congress has "drawn the wrong conclusions" about the new right-wing leadership in El Salvador.

Mr Deane Hinton said on Monday that Congress had delivered a "bum rap" on the country by voting to cut off military aid after a recent change in El Salvador's land reform laws.

Mr Roberto d'Abunselon, the extreme right-winger who became president of the constituent assembly after the U.S.-backed elections in March, is "basically a patriot, intent on working within the country's democratic system," Mr Hinton told the World Foreign Affairs Council.

Mr d'Abunselon had left his "highly questionable past" behind him, Mr Hinton believed, although he added that he could offer no guarantee that Mr d'Abunselon would not revert to the kind of behaviour which had led the previous U.S. Ambassador to describe him as "a pathological killer."

FALKLANDS CRISIS

Galtieri hints return to civilian rule may be delayed

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

ARGENTINE political life was thrown into confusion early yesterday morning when General Leopoldo Galtieri, the President, suggested that the return to democratic government, promised by successive military regimes, could be slower than expected and that foreign policy could be "wholly re-evaluated."

The first public reaction to Gen Galtieri's remarks, which were delivered at the press office of the presidential palace, has been hostile.

The influential Radio Continental, in its morning news programme, said the president's apparent wish to slow down progress towards civilian rule was "inadmissible."

Referring to legislation officially promised for mid-year, Gen Galtieri said the new law regulating the organisation of political parties, whose activities have been banned since the military coup of 1976, would be promulgated as expected.

He unexpectedly added, however, that after the confirmation of the parties' political leaders "it will be seen whether better circumstances obtain—or not—for a continuing advance in the institutionalisation of the country."

Gen Galtieri's remarks are a clear indication of his doubts over whether there will be a swift return to civilian rule later this year.

Politicians had generally expected that the transition would be rapid, not only because the large political demonstration staged in front of the government house on March 13, just before the Falklands invasion, was seen as a clear sign of "increasing impatience with the military regime but also because the sacrifices represented by the Falklands war are thought to justify greater public participation in government."

Gen Galtieri's doubts about Argentina's political future come amid mounting speculation about the imminent imposition of newspaper censorship. Gen Galtieri's remarks on foreign policy also appeared to run counter to statements on Monday by Sr Nicanor Costa Mendez, the Foreign Minister.

Bogota military court jails 120 guerrillas

BY SARITA KENDALL IN BOGOTA

AS A FIRST step towards lifting martial law in Colombia, 120 guerrilla suspects have been sentenced by a military court.

President Julio Cesar Turbay announced last week that he would be lifting state-of-siege legislation, including a tough security law passed in 1978, by June 10.

But as all guerrilla trials will automatically move from military to civilian hands once the measure goes through, the two-and-a-half year long court martial of some 200 people ac-

used of belonging to the M-19 guerrilla movement had to be completed first.

The sentences vary from two months up to 30 years for two members of the M-19 group, and cover charges ranging from rebellion to kidnapping and murder.

Over 100 of those standing trial are currently in prison, many were judged in absentia and some have been released. But lawyers believe the proceedings have been so fraught with irregularities that the

trial is likely to be annulled.

President Turbay said he had decided to lift martial law after consultation with the armed forces because the May 30 presidential elections were peaceful and orderly and there was no sign of any serious threats to internal security.

State-of-siege legislation has been in force for most of the past 26 years, and was most recently imposed in 1976. Some 40 decrees involving radio and television censorship, strikes,

public meetings and drug trafficking offences will also be repealed. It is assumed that those held under the 1978 security law will be released.

M-19 has apparently suffered big losses after counter-insurgency operations in the southern-eastern jungles of Colombia. Urban guerrilla activity has also been reduced.

Some 18 people accused of belonging to M-19's urban network were captured just before the election, reportedly with plans for sabotaging voting.

Cool Brazil keeps Washington at arm's length

THE United States is belatedly turning to Brazil as the anchor of its battered relations with South America. Gratified that at last it is being given the attention it feels it deserves, Brazil for its part wants to keep its distance.

Andrew Whitley reviews a new U.S. courtship in South America

shared role involving the Falklands, once Britain has completed their recapture.

According to White House sources, Brasilia has already agreed in principle to help.

Trade with the U.S. has lessened over the past five years or so as Brazilian exporters have pushed into new markets around the world, but U.S. cash—invested in Brazil and lent to finance growth and service existing debt—remains of fundamental importance for the South American giant, now the world's eighth largest economy.

U.S. banks, led by Citicorp with a mighty \$4bn (£222bn), are creditors for up to half of Brazil's \$67bn medium and long-term foreign debt.

British banks to share out Argentinian interest payments under long-standing loan provisions. U.S. banks have been receiving such requests for more than a fortnight.

RONALD REAGAN TELLS MPs OF THE MARCH OF FREEDOM

'The democratic revolution gathers strength'

THE FOLLOWING are extracts from the text of yesterday's address in the Royal Gallery, Palace of Westminster, by President Reagan to Members of both Houses of Parliament.

Speaking for all Americans, I want to say how very much at home we feel in your house. Every American would, because this is one of democracy's shrines. Here the rights of free people and the processes of representation have been debated and refined.

Poland is not East or West. Poland is at the center of European civilization. It has contributed mightily to that civilization. It is doing so today by being magnificently unreconciled to oppression.

There is, first, the threat of global war. No President, no Congress, no Prime Minister, no Parliament can spend a day entirely free of this threat. And I don't have to tell you that in today's world, the existence of nuclear weapons could mean, if not the extinction of mankind, then surely the end of civilization as we know it.

But beyond the troublespots lies a deeper, more positive pattern. Around the world today the democratic revolution is gathering new strength. In India, a critical test has been passed with the peaceful change of governing political parties. In Africa, Nigeria is moving in remarkable and unmistakable ways to build and strengthen its democratic institutions.

Reins of power: President Reagan riding with the Queen at Windsor Home Park yesterday

ing a study with the bipartisan American political foundation to determine how the United States can best contribute—as a nation—to the global campaign for democracy now gathering force. They will have the co-operation of Congressional leaders of both parties, along with representatives of business, labour, and other major institutions in our society.

The British people know that, given strong leadership, there is a huge bit of hope, the forces of good ultimately rally and triumph over evil. Here among you is the cradle of self-government, the mother of Parliaments.

Coutts & Co. logo and advertisement text: Coutts & Co. announce that their Base Rate is reduced from 13% to 12 1/2% per annum with effect from the 8th June 1982 until further notice.

National Westminster Bank PLC advertisement: NatWest announces that with effect from Tuesday, 8th June, 1982, its Base Rate is reduced from 13% to 12 1/2% per annum. The basic Deposit and Savings Account rates are reduced from 10 1/4% to 9 1/2% per annum.

Advertisement for National Westminster Bank PLC, including logo and text: NatWest announces that with effect from Tuesday, 8th June, 1982, its Base Rate is reduced from 13% to 12 1/2% per annum.

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WORLD TRADE NEWS

Urgent appeal to boost Third World energy investment

BY DAVID DODWELL

THERE IS a "compelling need" for new ways of channelling money into energy development in the Third World...

Queensland bid to increase coal exports to Europe

BY RICHARD JOHNS

QUEENSLAND IS aiming at increasing substantially its exports of coal to Western Europe...

European airlines lost \$700m in 1981

By Michael Coorne, Aerospace Correspondent

NET LOSSES by the European scheduled airlines amounted to about \$700m (£388m) during 1981...

Douglas optimistic over operations growth

BY LYNTON MELAN, RECENTLY IN LONG BEACH, CALIFORNIA

THE DOUGLAS Aircraft company, the commercial aircraft maker in the McDonnell Douglas Corporation...

petition with the proposed A320 airliner from Airbus Industrie. McDonnell Douglas is anxious for potential airline customers...

has only one year of work left on production of the aircraft. Airlines ordered a total of 685 of various DC-10 models...

Export credits dispute looms between Japan and EEC

BY PAUL CHEESRIGHT IN TOKYO

A FURTHER dispute between Japan and the EEC loomed yesterday over the conditions to the grant of export credits...

Organisation for Economic Cooperation and Development. The divergence of these positions means that the current regime for the grant of officially subsidised export credit could expire on June 15 without agreement on a replacement.

and on the means to achieve a general reclassification of borrowing countries - this determines the interest rate they have to pay.

export credit rates for relatively rich borrowers by 1.0-1.25 percentage points to 12.25-12.5 per cent and for middle income country borrowers by 0.5-0.6 of a percentage point to 11.0-11.6 per cent.

the relatively poor to the middle income category and move the Soviet Union from the middle income to the relatively rich category.

U.S. drive to insure Greek vessels

BY ANDREW FISHER, SHIPPING CORRESPONDENT

U.S. MARINE insurers yesterday served notice that they will mount a strong challenge to wear away a large slice of Greek shipping business from London.

His proposal followed a complaint by a leading Greek owner that the surcharge imposed by Lloyd's on vessels from Greece since 1978 was discriminatory.

the higher London rates just because his father and his grandfather insured with Joe Baggis in the City."

Putting the U.S. view, Mr. Schumacher said his syndicate preferred to make a more individual assessment of fleets compared with the rule-of-thumb approach of London underwriters.

Textiles concessions row grows. BRUSSELS - The textile industry organisation Comtextil said in a statement issued following its annual meeting...

Commercial passage to India becomes difficult to win

BY K. K. SHARMA IN NEW DELHI

IN THE aftermath of the Indian Government's decision to revoke a letter of intent for a 1.5m-tonne steel plant given to Britain's Davy McKee...

success in India is the 1,000 MW thermal plant at Rihand, the turnkey contract for which was awarded last month to a consortium led by Northern Engineering Industries (NEI).

panies for a similar contract for which Britain's System X is in the running. This contract has still to be awarded, but the French have an edge by winning the first deal.

The official's remarks illustrate the increasing difficulties British concerns are encountering in winning major contracts in India.

Except for these, major British success in commercial deals in India has been limited to a £1bn contract to British Aerospace in 1978 for building the Jaguar at the Bangalore plant of Hindustan Aeronautics.

Both the British (BL) and the French (Renault and Peugeot) lost to Japan's Suzuki for collaboration to build a new car with the nationalised Maruti Udyog, as did nearly a dozen other automobile companies from Europe and Japan.

TSB BASE RATE. With effect from the close of business on Wednesday 9th June 1982 and until further notice TSB Base Rate will be 12 1/2% per annum. TSB TRUSTEE SAVINGS BANKS Central Board, P.O. Box 33, 3 Copthall Avenue, London EC2P 2AB.

AS NIGHT WON SPELLS SUCCESS. Large stylized text graphic.

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Midlands sees no sign of end to recession

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

INDUSTRY LEADERS in the Midlands see no sign of an end to the recession.

Orders remain low, cash flow is deteriorating and redundancies will continue, Mr Chris Wallicker chairman of the West Midlands council of the Confederation of British Industry, said yesterday.

The Midlands, with its heavy concentration of manufacturing industry, has consistently taken a more pessimistic view of economic prospects than national forecasts. Major structural changes were continuing within the region, said Mr Wallicker.

He cited the forklift truck industry where Japanese imports take 40 per cent of the UK market compared with 10 per cent two years ago. Such a rundown had an impact on the vehicle components industry that was so important to the Midlands.

Activity and output remained flat. "There was some apparent improvement a few months ago, but that has now fallen back. I would say we are still bouncing along the bottom and I expect it to be flat for some months to come."

Mr Wallicker said recent optimistic growth forecasts seemed to be based on stock rebuilding. There was no evidence of that in the West Midlands.

There was a lack of business confidence, little finance for stockbuilding and no increase in orders. Export margins remained low. Against fierce international competition little growth in overseas sales was expected.

Cash flow was deteriorating, particularly among smaller companies. They were being hit by the need to make back payments of taxes held up by last year's civil servants' strike, redundancy payments and customers taking extended credit.

Medium-size companies were the "unloved sector." They did not get the benefit of Government measures for small companies and were hit by the credit policies of the large companies.

Some companies in the Midlands were uneasy about the likely impact on wage bargaining of large increases in the public sector to judges and senior civil servants. Any settlement in the health service would be watched closely.

Most deals in the Midlands were continuing at between 4 and 6 per cent. "Settlements more and more reflect the ability of companies to pay," Mr Wallicker said.

"A disturbing factor" at the meeting was that more than half the companies present said they expected to cut their labour force during the next three to four months.

Challenge to minors' legal protection

By Raymond Hughes, Law Courts Correspondent

A RADICAL suggestion that the age of legal liability for young people entering contracts might be reduced from 18 to 16 has been made by the Law Commission.

The commission says, in a paper published yesterday, that minors may not need the protection from imprudent contracts which they have under present law.

A person under 18 cannot, with certain exceptions, be sued for breach of contract, although he or she can enforce a contract.

That, says the Commission, is because the law considers that minors need to be protected from their lack of maturity and worldly experience.

The present law may be inappropriate to modern conditions, the commission says.

It offers two suggestions and invites comments from older schoolchildren, teachers and others able to advise on the maturity of 16 and 17-year-olds.

The first, broadly, is to maintain the present situation; the second, to reduce the age of contractual capacity to 16.

The commission suggests dividing minors into two groups: those aged 16 and 17, who would be fully liable on their contracts; and those under 16 who might need more protection.

How losing a job brought life to a doomed concern. Raymond Snoddy reports

Shedding new light on Eddystone shipyard

EDDYSTONE Marine Services, a shipbuilding and repair yard at Newton Ferrers near Plymouth, finally closed last September.

It had been in decline for some years and at the end there was only the nucleus of the staff—four boatbuilders and engineers—to be laid off. Nine months later the four are building boats again at the head of Newton Creek. The yard is in the black and, until recently, was working a six-day week to get boats ready for the season.

The transformation came about because of Alan Burn, a former director of management information at EMI. He was made redundant following the Thorn takeover and decided at the age of 60 to buy the yard and run it along co-operative lines.

He raised £130,000 by selling his house at Bray, Berkshire, and using redundancy pay and bank loans to buy the yard which is a 200-year-old mill house.

The yard has the capacity to build 36-ton ships and, already this year, it has turned out a 21ft Brascombe longboat and several dinghies.

"There are 250 boats moored in this river and we feel there is no need for them to go anywhere else and we have already started getting a few from Plymouth," Mr Burns says.

His plans for the yard are more ambitious. He has just



Alan Burn—building a new life and reviving an ailing business

launched a 24-hour, seven-days-a-week pick-up service for boats needing repair. The service will start locally and extend gradually to cover the coast between Helston, Cornwall and Torquay, Devon.

"It could develop into the marine equivalent of the AA or RAC along that stretch of the south coast," Mr Burns says.

He will travel by Land Rover to the nearest point on land and then use an inflatable dinghy to tow damaged yachts to harbour or repair them at sea.

Mr Burn will take along a mechanic if an engine will not start. He can call on the services of a diver if underwater repairs are necessary.

Mr Burn believes the service is the first of its kind. He plans to run it on an annual subscription basis next year.

Eddystone Marine Services is also planning to enter the yacht chartering market and is hoping to get the fitting-out contract for a new fast racing yacht to be produced locally.

Alan Burn has been involved in four takeover battles and won all but the last. He admits that if he had not lost his job he would probably have been content to stay until retirement, looking after EMI's worldwide computer operations.

"It was appalling at the time. It was shattering, but being made redundant was the best thing that ever happened to me," he says.

The sea was a natural place for him to turn to. He was a navigator and gunnery officer

in sloops and destroyers in the Second World War, and was chief officer on a Chinese merchant ship on the Yangtze River. One he was even part-time chairman of a boat building company in Cowes.

He has taken part in the Transatlantic, the Sydney Hobart and five Admiral's Cup yacht races.

He chose the West Country for an eight-month search for the right yard because of his connections with the area. Sir Clive Burn, his father, was secretary of the Duchy of Cornwall from 1936-54.

Alan Burn went on an experimental 16-week course on co-operatives before setting up on his own. The course was at the Manchester Business School and paid for by the Manpower Services Commission. His fellow students included a black pop group, shoemakers from Wales and a health food co-operative.

He then had to outline his plans to a panel of six local bank managers and received the ultimate accolade—all six said they would lend him money.

Alan Burn decided to run the Eddystone Marine Services as a co-operative because he thought working relationships would be better and because he wanted to share profits but, most important, he wanted to ensure it was impossible to be taken over. He is now considering taking on an extra hand under the Youth Opportunities Programme.

Life assurance industry defends doorstep sales

BY ERIC SHORT

THE THREE life company trade associations have countered all the points about life assurance selling made by Professor Jim Gower in his discussion document "Review of Investor Protection."

Professor Gower, a company law expert and adviser to the Department of Trade, was commissioned last year to review the field of investment services and investor protection after a number of investment company failures.

His first report, in the form of a discussion document, covered a wide range of investment subjects. He was highly critical, in particular, of doorstep sales of linked life bonds.

The Life Officers' Association, the Associated Scottish Life Offices and the Industrial Life Offices Association, in a joint response, say that the life assurance industry is already subject to adequate supervision by the Department of Trade.

They feel that existing insurance legislation already provides effective protection for the public. They do not acknowledge the distinction made by Professor Gower between traditional forms of life assurance

and linked life contracts, which he wants treated as securities.

The associations defend the sale of life contracts in the homes of individuals, pointing out that the greatest number of families obtain life assurance protection by that means. They point out that selling in the home enables the family to discuss its savings needs and often the agent creates a lasting relationship with the family.

The present codes of selling practice are defended by the associations as providing effective ways to regulate marketing methods. But they admit that, if the codes, which are voluntary, were found to be unworkable, then life companies would prefer a self-regulatory system, as suggested by Prof Gower, rather than full-scale government control.

The associations would be prepared to examine agreed standards of competence for all sellers of life assurance, but feel that would be a long-term operation.

Prof Gower's recommendation of a Pension Scheme Act is rejected by the associations, which consider his recommendations on regulation of pension schemes remote from his terms of reference.

Firedamp caused pit explosion

By Our Labour Correspondent

AN EXPLOSION which seriously injured 40 men at a colliery near Glasgow in January was caused when firedamp gas was ignited at the coalface by frictional sparking, says a report published yesterday by the Health and Safety Executive.

The accident was at the V52 face of Cardowan Colliery, which normally produces about 6,000 saleable tonnes a week. The gas, mainly methane, built up in a part of the pit which had been flooded, said the report.

When some water was jumped out a measure of gas escaped. Tests then did not show an excessive amount of gas, but it is thought likely that gas reached the coalface 10 or 15 minutes later.

It was ignited by frictional sparking from the pick of the mechanised shearer-loader cutting into the sandstone floor. The report recommends further research into frictional sparking, and that firedamp dispersal be given priority.

The Explosion at Cardowan Colliery, Stepps, Strathclyde Region, January 27 1982, SC, 22-30.

Shipping group seeks hearing

By Our Law Courts Correspondent

TRADE AND MARINE, of Hamburg, a member of the Gulf Shipping group, is to seek an early hearing in the Commercial Court of its claim that a ship it chartered was wrongfully withdrawn from its service.

The company is claiming about \$77,000 (£48,000) loss of profit from Anangel Glory Company Naviera, a member of the Piraeus-based Anangel Shipping Enterprises group, which withdrew the 22,670-ton bulk carrier, Anangel Glory, in 1979 for alleged non-payment of hire.

Trade and Marine denies that it defaulted on the hire payments, and the case will involve consideration of both banking practice and methods of payment of charter hire.

Last month, Anangel was held in the High Court to have suffered losses totalling \$77,400 when a fresh charter of the vessel it was negotiating after the withdrawal was frustrated by an injunction to stop it withdrawing the vessel from Trade and Marine.

Travel agents 'shirk duty'

BY RAYMOND SNODDY

TRAVEL AGENTS may be shirking their duty to tell travellers about health care, according to BMA New Review, a monthly magazine circulating to more than 60,000 doctors in the UK.

Magazine staff visited eight travel agents in central London saying they planned to go to Egypt in September and asked what medical precautions should they take.

Only one recommended vaccinations for cholera, typhoid and para-typhoid, although the Department of Health and Social Security advises that all travellers should have these

plus polio vaccinations. The other seven agents said only anti-malaria pills were needed when visiting the Nile delta between June and October.

The magazine says there has not been a single order from a travel agent for copies of the British Medical Association's Family Doctor publication Health on Holiday, published recently.

Some big travel companies give good advice but "it still appears that you have to be an aware and persistent person to find out even the most basic holiday health care precautions," the magazine says.

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UK NEWS

British Gas banned from exploration of oil areas

BY RAY DAFTER, ENERGY EDITOR

BRITISH GAS Corporation is being barred by the Government from exploration of areas of the UK continental shelf which are expected to yield oil.

The corporation, which is planning its strategy for application of the eighth round of exploration licences, to be offered this summer, said last night that it was "disappointed" by the announcement.

The Energy Department had hoped British Gas would sell its half-share in the Wyth Farm field by the end of March.

Index-linked savings plan announced by Alliance

By Eric Short

THE Alliance Building Society, the seventh largest, announced yesterday the first index-linked investment scheme for building society investors.

The value of the investment, under the Alliance Index-Linked Certificate, will be increased in line with the Retail Price Index over a five-year investment period.

£60m electronic aid plan launched

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A £60m AID scheme aimed at encouraging engineering companies to automate production lines with electronic techniques was launched yesterday by the Department of Industry.

It is the latest of a series being developed by the Department to boost investment in advanced technologies.

About £45m of the £60m is assembled from the Department's existing allocations.

The £60m will be used to boost flexible manufacturing projects in which machine tools for engineering batch work are automatically controlled by a central on-line computer.

BP sells diving group stake

By Richard Johns

BRITISH PETROLEUM has sold its half share in Sub Sea International, the world's third largest diving company.

The price paid for BP's stake originally acquired in 1976, has not been revealed but it is understood to be about \$20m.

No limits to be put on North Sea oil production

BY RAY DAFTER, ENERGY EDITOR

OIL PRODUCTION from the North Sea will not be restricted, the Government has decided, even though output is well in excess of UK consumption.

Mr Nigel Lawson, the Energy Secretary, said the Commons yesterday that the oil industry would be left free from depletion controls until at least the end of 1984.

The announcement was immediately welcomed by the offshore industry which had pressed the Government to allow production to continue unhindered.

Under depletion measures outlined in 1974 by Mr Eric Varley, the then Energy Secretary—the so-called "Varley Assurances"—the Government has the option to restrict the output of individual fields by up to 20 per cent.

Increase in output of houses

By Michael Cassell

THE RECENT increase in house-building was maintained in April, according to figures published yesterday by the Department of the Environment.

Provisional estimates from the DoE suggest that a start was made on 18,000 homes during April, the fourth successive monthly increase.

Export of services down 3% by volume

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITAIN'S exports of services fell by 3 per cent in the first three months of this year, compared to the average of last year, according to official figures out yesterday.

The volume of services is now about 1 per cent less than it was in 1975, and 10 per cent less than that achieved in 1979.

Imports of services fell by about 2 per cent in the first quarter of this year, against the previous quarter.

This compares to an average of about £2.9bn per quarter in 1981. However, overseas investment in the UK private sector increased from £450m to £1.1bn.

Gasco actions defended

SAVINGS and Investment Bank, the Isle of Man banking group, is defending two legal actions started by Mr Jim Raper's master company Gasco Investments on June 4.

The bank will contend that all requests for advances to Gasco under the loan facilities have been met.

The litigation has been started by Mr Raper following Savings and Investment Bank's proceedings for loan repayments and its successful application for an injunction against Gasco and St Piran in March.

Car production 'flat'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CAR PLANTS returned to normal working last month and output bounced back from the depressed level in April, when disputes hit both Ford and BL.

But the Department of Industry suggested yesterday that "the underlying level of production is probably, at best, broadly flat and a little lower than in the second half of last year."

In April and 15,900 in strike-torn May 1981.

In the first five months commercial vehicle output rose 21 per cent, from 93,800 to 113,600, but 1981 witnessed the lowest level of production since records were first kept in their present form 40 years ago.

Technology magazine to close

BY TIM DICKSON

A WEEKLY technology magazine launched at the beginning of February will suspend publication after this week.

Technology Week, which carries news and comment on new products, technological innovations and applied science, was started with the help of £45,000 from Williams & Glyn's Bank backed by the Government's Loan Guarantee Scheme.

Money supply growth on target

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE UK money supply has grown at a rate well within the Government's target range in the three months since February, according to preliminary estimates from the Bank of England yesterday.

It said that sterling M3, the broad measure of money which includes interest-bearing deposits with banks, probably grew by about 1 1/2 per cent in the four weeks to May 19.

According to the monthly statement by the London clearing banks yesterday, their lending rose by £364m in banking May, which suggests an underlying rise of about £600m to £650m for the month.

'Pirates of Chittagong' test case for insurers

By Raymond Hughes, Law Courts Correspondent

A RAID by armed men on a ship anchored off the Bangladeshi port of Chittagong has led to a test case on marine insurance in the Commercial Court in London.

The court was asked yesterday to decide whether the raiders were pirates, whose activities came within the insurance cover provided by the rules of the Hellenic Mutual War Risk Association (Bernada).

In June 1977 the Athens Lemos, owned by Athens Maritime Enterprises Corporation, was anchored in Bangladesh territorial waters, 34 miles offshore, in the Chittagong Roads.

Table with 2 columns: Money Supply Growth, February to March annualised percentage increase. Rows for Sterling M3, PSL 2, Private Sector Liquidity.

Equity settlement system studied

BY JOHN MOORE, CITY CORRESPONDENT

THE STOCK EXCHANGE ruling council has commissioned a feasibility study to establish the cost of developing and operating a streamlined settlement system for deals carried out in equities and company fixed-interest securities.

It proposes that shareholders would be able to maintain un-certified accounts on a company's share register, with transfers of ownership taking place without a share certificate.

Private shareholders would normally participate only through agents. The shareholder's name would be held on the register, and his rights to vote and attend company meetings would be unaffected.

Advertisement for Dencora plc, including share capital details, authorized shares, and contact information for Phillips & Drew.

British Shipbuilders faces fight for orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT IN ATHENS

BRITISH SHIPBUILDERS will have a struggle to meet its reduced £10m loss target, set by the Government for the current financial year, because of a marked slowdown in orders.

length. The company has likened it to a Rubik cube because of its chunky appearance when stacked with containers.

On the 1982-83 loss limit of £10m, Mr Philip Hares, finance director, said: "We're going for it, but it won't be easy."

The Government, however, will not have to pay up for the original loan. Williams and Glyn's took a debenture on the assets of the company, which are more or less equal to the amounts owed to creditors.

Technology Week employs eight people based at its Eastbourne offices.

MOTOR CARS

HOOPER & CO. (COACHBUILDERS) LTD.

ESTABLISHED 1828, ASSOCIATED WITH ROLLS-ROYCE SINCE 1900. WE'LL BACK YOU FOR ASCOT. Until Saturday 19th June we will offer all Rolls-Royce and Bentley owners a FREE Summerdrive check to include air conditioning systems. Also quotations for ELECTRIC SUNROOFS in steel, glass and Everflex finishes. KIMBERLEY ROAD, LONDON NW6 7SH. 01-424 8833. TELEX: 295794 HOOPER G

LEGAL NOTICES

IN THE MATTER OF R INVESTMENTS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948. NOTICE IS HEREBY GIVEN that the directors of the above-named Company which is being voluntarily wound up, are required, on or before the 26th day of August 1982 to send in their full financial statements, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their creditors (if any), to the undersigned.

SURJIT KUMAR SHINGLA, F.C.A., Chartered Accountant, 423, Alexander Avenue, Harnam, Madras 42 95E. The Liquidator of the said Company, and, if so required by notice in writing which is being voluntarily wound up, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice. In default thereof, they will be excluded from the benefit of any distribution made before such debts are proved. Dated this 26th day of May, 1982. S. K. SHINGLA, F.C.A., Liquidator.

PERSONAL

IN LOVING MEMORY

Florent tributes fade. Your regard for a departed friend living on if you dedicate a donation in their name to Help the Aged's work - towards a Day Centre for the lonely, medical treatment or research for the old, or help for the housebound. Every £2 achieves a caring deal for the old. Please let us know the name you wish to commemorate.

Sent to: The Hon. Treasurer, The Rt. Hon. Lord Mayhew-King Help the Aged, Room FT1M, 32 Dover Street, London W1A 2AP

PUBLIC NOTICES

CITY OF EDINBURGH DISTRICT COUNCIL VARIABLE RATE REDEMABLE STOCK 1983. For the six months from 9th December 1982 to 9th December 1983. Interest rate of the above stock will be 6.7812% per annum. BANK OF SCOTLAND, 25 OLD BROAD STREET, LONDON EC2P 2HL.

ART GALLERIES

- CRANE GALLERY, 1719 (Five Floor), 25th St., SW1, 01-235 2484, 3 minutes from Harrold in underground. Exhibitions: ELLIOTT, COCHRAN, ART and 'AMERICAN' Paintings, Furniture, Sculpture, Decors, etc. Daily 10.30-5.15. CRANE KALMAN GALLERY, 178 Brompton Rd., SW2, 01-584 7566, Words by Nicholas, Hitchens, Colquhoun, Kit Wood, etc. Daily 10.30-5.15. TRACAPPA GALLERY, 18 Theobald St., Kentonville St., W5, 937 5823, SUMMER 1982 Exhibition: HANS SCHWABER, until 24 July. THE PARKER GALLERY, 2, Alhambra St., 01-235 1211, Exhibitions: Military and Sporting and Topographical Prints and Paintings. Daily 10.30-5.15. RICHARDS GALLERY, 4, New Exhibition St., W1, 01-499 5287, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15. MARGOT HARRISON, Watercolours and small oils, The Old Swan, 17, Uffell 17 June Mon-Fri, 10-5. COLMAGH, 16, Old St., W1, 01-499 5287, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15. WHITECHAPEL ART GALLERY, E. 377 0107, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15. LEVINE GALLERY, 30, Brunel St., W1, 01-499 5287, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15. AGNEW GALLERY, 45, Old Broad St., W1, 01-499 5287, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15. SHAW & SHAW, 19, Cork St., W1, 01-499 5287, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15. BLOND FINE ART, 33, Beakonsfield St., W1, 01-499 5287, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15. NICOLA JACOBS GALLERY, 8, Corp St., W1, 01-499 5287, Exhibitions: 675, MASTER PAINTINGS, Daily 10.30-5.15.

CLASSIFIED ADVERTISEMENT RATES

Table with columns for Commercial & Industrial, Residential Property, Appointments, Business, Investment, Opportunities, Business for Sale, Personal, Motor Cars, Home & Travel, Contracts & Tenders, Book Publishers. Includes rates for Premium positions available and contact information for Financial Times.

RESIDENTIAL PROPERTY

HAMPTON & SONS are delighted to announce THE CREATION OF THE NEW 10th FLOOR AT Fifty-Five, Park Lane London W.1

OFFERING THREE SUPERB PENTHOUSES AND AN UNRIVALLED BACHELOR DUPLEX FURNISHED FLATS AVAILABLE FOR RENTAL

Apartments include the 3-bedroom Penthouse overlooking Hyde Park with the optional benefit of adjoining self-contained accommodation for use as staff or nursery quarters. Two 2-bedroom Penthouses, together with a unique single-bedroom duplex featuring a spiral staircase, are also to let. These apartments are furnished in a modern style and have COLOUR T.V., VIDEO AND STEREO SYSTEMS. The Penthouses all have roof terraces and reception rooms ideal for entertaining. Kitchens and bathrooms are exceptional. 55 Park Lane is a purpose-built block of quality furnished apartments. Facilities include 24-HOUR PORTERAGE, LIFTS, CENTRAL HEATING, CONSTANT HOT WATER, MAID SERVICE, TELEX, CAR PARKING, and in-house MAINTENANCE.

Please telephone, telex or write to Hampton & Sons 6 ARLINGTON ST., ST. JAMES'S, LONDON SW1A 1RB Tel: 01-493 8222. Telex: 25341

SWITZERLAND AIGLE + VILLARS FOR SALE: Exclusive freehold property, direct from the Owner Builders. Most elegantly designed and built to the highest standards. Swiss Government financial and legal regulations fully met for sales to non-Swiss nationals. Mortgage: up to 60% over 20 years at low interest rates. Please contact Mrs Lutzler or Mr Marich direct at the Owner Builders: Immobiliere de Villars SA + Sodim SA P.O. Box 62, 1884 Villars-sur-Ollon, Switzerland. Tel: 010 41 - 25 735 35 31 Telex: 456213 GESE CH

Modern Executive House - On outskirts of Edinburgh - 18 Cockburn Crescent, Balerno. On a particularly attractive corner site with a protected outlook south over fields. A delightful and unusual detached bungalow villa architect extended to produce excellent family accommodation and privacy comprising, with carport, gas central heating etc, a large sunken style lounge with study off, dining room, three double bedrooms with fitted wardrobes and the master bedroom having a full shower room off, fourth bedroom/playroom, general utility room, pleasant working kitchen with play area, bathroom, sauna room and excellent cupboard accommodation. Offers over £39,000. To view please telephone 031-449 3595

SWITZERLAND FOREIGNERS can buy apartments freehold on LAKE GENEVA, in Montreux near Lausanne, or all-year-round villas in St. Cergue near Geneva. Villars, Verrier, Les Diablerets, etc. FINANCING 50-80% (Full cost & savings). Also quality properties in France. Arrangements in EVIAN on the lake, approx. 20 miles from Geneva. In luxurious villas VERY NEAR THE BORDER OF GENEVA, built to your specifications. Advice free preferred. Write for Developer, c/o LORRAINE PLAN SA, Montreux 24, 1095 Lausanne, Switzerland. Tel: 021 22.35.12 Telex: 25183 switz ch

ALICANTE SPAIN For Sale: FABULOUS VILLA with 350 sq.m. Constructed in Moraira, 50 km. from Alicante. Sea view, 3 km. from beach. De luxe construction with different inside levels, fully equipped, de luxe kitchen, central water and heating, 4 Bedrooms, 3 Shining Rooms, 4 Bathrooms, garage, carport and swimming pool. Price: 17 million pesetas, 20 million dollars. Call or write to: Pacifico Martin, Obispo Machado, S. Alvarez (Victoria) Spain. Tel. 041 442454

AMERICAN EXECUTIVES seek luxury furnished flats or houses up to £350 per week. Usual fees required. Phillips Kay and Lewis 01-835 2245

TRAVEL TOKYO, Osaka, Seoul, Taipei and Far East. 1208 Bloomsbury, London WC1A 2PL. Japan Service Travel, 01-437 3703.

BOND DRAWINGS Notice of Redemption to the holders of LJUBLJANSKA BANKA 9 1/2% Guaranteed Notes 1983. NOTICE IS HEREBY GIVEN that the following Notes were drawn for redemption on 15 July 1982.

Table with columns for Note Number and Amount. Lists various note numbers and their corresponding values for redemption.

COMPANY NOTICES

GT INVESTMENT FUND S.A.

Registered Office: LUXEMBOURG, 14, rue Aldringen Commercial Registrar: Section B n° 7.448

Statement by the Chairman in relation to the Extraordinary Meeting of Shareholders to be held 30th June, 1982

You will find enclosed with this Statement a Notice convening an Extraordinary Meeting of Shareholders convened for 10 a.m. on 30th June, 1982. The first Resolution refers to Article 8 of the Articles of Incorporation of the Fund which permits the Fund to restrict the beneficial holdings of any one person to not more than 5% of the shares of the Fund. In view of the fact that the Fund permits its shares to be issued in bearer as well as in registered form, it is not practicable for the Fund to exercise these powers if the continued existence of these powers may result in listing of the shares of the Fund on further Exchanges being denied. Accordingly the present restriction contained in Article 15 of the Articles of Incorporation which limits the number of Directors who may serve at any one time to fifteen. This will enable those members of the Advisory Board who serve in an ex officio capacity to join the Board and take a full part in the conduct of the affairs of the Fund. Shareholders are reminded that the two Resolutions referred to may only be proceeded with if at least 50% of the shares outstanding are represented at the Meeting. Should such a quorum not be present or should the Board so decide for other reasons, a Second Meeting, which will not be subject to such quorum requirement, will be convened by an additional Notice. In such an event a vote on all items on the Agenda will be adjourned to such Second Meeting. In order to attend the Meeting the holders of Bearer shares should deposit their shares on or before 26th June, 1982 with the Banks listed in the Notice convening the Meeting. Such deposits are required to be maintained and to be effective both for the first and possible postponed meeting. Holders of registered shares are invited to submit proxies at the registered office of the Fund on or before 26th June, 1982.

Shareholders are hereby convened to an EXTRAORDINARY MEETING OF SHAREHOLDERS

to be held on June 30th, 1982 at 10.00 hours at the registered office of the Fund, 14, rue Aldringen, Luxembourg, with the following agenda:

- 1 to amend Article 8 of the Articles of Incorporation of the Corporation by deleting any restriction as to the holding by any shareholder of more than 5% of the shares of the Corporation and as to the voting of any shares in excess of 5% of the voting shares of the Corporation held by any shareholder and any reference to shareholders defined in said Article 8 as "5% holder"; 2 to amend Article 15 of the Articles of Incorporation by deleting the limitation of the number of members of the board to 15 members. Shareholders are notified that Resolutions on the above agenda may only be taken if at least 50% of the shares outstanding are represented at the meeting. Should such quorum condition not be fulfilled or should the Board so decide for other reasons, a second meeting which will not be subject to such quorum requirement will be called by additional notices. In such event the vote on all items of the agenda will be adjourned to such second meeting. In accordance with Luxembourg law, in both meetings, Resolutions will be subject to a majority of 3/4 of the shares represented at the meeting, provided, however, that at the second meeting, shares not represented will (in a number not exceeding 1/4 of the total number of the outstanding shares) be deemed to vote for the resolutions proposed above, and provided further that in such latter case the Resolutions must be voted by the majority of the shares represented at the meeting.

THE BOARD OF DIRECTORS

GOLD FIELDS GROUP DECLARATION OF DIVIDENDS

Table with columns for Name of Company, Dividend No., and Amount per share cents. Lists companies like Doornfontein Gold Mining Company Limited, Driefontein Consolidated Limited, etc.

DECLARATION OF DIVIDENDS The following final dividends have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 25 June 1982. Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London office of the companies. Requests for payment of the dividends in South African currency by members on the United Kingdom registers, must be received by the companies concerned on or before 25 June 1982 in accordance with the abovementioned conditions. The registers of members of the above companies will be closed from 26 June to 2 July 1982, inclusive. London Office: 49 Moorgate, London EC2R 8DD. United Kingdom Registrar: Hill Samuel Registrar Limited, 6 Grencocks Place, London SW1P 1PL. By order of the boards, C. E. WENNER, London Secretary.

CANADIAN NORTH ATLANTIC CANADA-UNITED KINGDOM FREIGHT NOTICE TO SHIPPERS AND CONSIGNEES

NOTICE TO SHIPPERS AND CONSIGNEES BUNKER SURCHARGE RATE FOR EXPORTATION TO EUROPE DRAFT RATES The member lines of the above Conference have been giving consideration to the problem of bunker surcharges on routes which have been in effect since April 1979 in order to cover the cost of the fuel price escalation which has occurred since that time. They have decided that the current bunker surcharge arrangements can no longer be considered a satisfactory means of covering an additional separate charge but should now become part of the line normal operating expenses. Accordingly, it has been agreed that the bunker surcharge arrangements effective on 15th July 1982 will be discontinued. In the case of rates with a termination date beyond 1st September, 1982 the appropriate 1982 August level and the rate which will apply on 1st September 1982 with the same currency arrangement as the current rate. CANADIAN NORTH ATLANTIC CONTAINER LINE G.L.E. CANADIAN PACIFIC CONTAINER LINE LTD. DART CONTAINER LINE CANADA N.V. MERCHANT SHIPPER'S ASSOCIATION MANCHESTER LINES LTD. JOINT GOLDEN CROSS LINE LTD. MEMBERSHIP CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD. SECRETARIES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS

ASAH GLASS CO., LTD. The 45th Ordinary General Meeting of Shareholders of ASAH GLASS CO., LTD. will be held on 18th June, 1982.

NOTICE IS HEREBY GIVEN that the shareholders of ASAH GLASS CO., LTD. are invited to attend the meeting on 18th June, 1982 at 10.00 a.m. at the registered office of the company, 10, Abchurch Lane, London EC4N 3DF.

- In Belgium: - Societe Generale de Banque - Banque Bruxelles Lambert - Banque de Paris et des Pays-Bas Belgique - Kredietbank - Banque Degroof - Banque Belge pour l'Industrie In Luxembourg: - Banque Generale du Luxembourg - Banque Internationale a Luxembourg In London: - Banque Belge Limited

CONTRACTS & TENDERS

INVITATION FOR PRE-QUALIFICATION FIRST STAGE ISTANBUL SEWERAGE PROJECT

Contractors in the field of civil and sanitary engineering works, with particular experience in the construction of sewerage systems, treatment plants, sea outfalls and the attendant electrical and mechanical works are invited to participate in a pre-qualification procedure, in order to be included in the list of prospective contractors for the execution of the First Stage Istanbul Sewerage Project (Yanikapi area). THE PROJECT: The General Directorate of Istanbul Water and Sewerage Administration (ISKI) is responsible for the preparation and execution of a sewerage and sewage disposal project in the Greater Istanbul Municipality area, which has been scheduled for execution during 1982-1987. THE CONTRACT: 1. The project works will be constructed under six separate contracts, viz: a) the Alibeyli interceptor along the Golden Horn, covering a construction period of 36 months starting July 1983 (issue of enquiries Jan. 1982, submission of tenders March 1983); b) the Bakirly and Sarayburnu interceptors and force main along the Sea of Marmara, covering a construction period of 32 months starting November 1983 (issue of enquiries May 1983, submission of tenders July 1983); c) the Fatih interceptor tunnel and other possible tunnels, covering a construction period of 24 months starting April 1984 (issue of enquiries Oct. 1983, submission of tenders Dec. 1983); d) the influent and effluent pumping station and pre-treatment plant at Yanikapi, covering a construction period of 34 months starting June 1984 (issue of enquiries Dec. 1983, submission of tenders Feb. 1984); e) the electrical and mechanical installations attendant to the pre-treatment plant, pumping stations and pumping mains, covering a construction period of 34 months starting July 1983 (issue of enquiries Jan. 1983, submission of tenders March 1983); f) the electrical and mechanical installations attendant to the construction period of 30 months starting October 1983 (issue of enquiries March 1983, submission of tenders June 1983). 2. Contractors are allowed to act in joint venture or joint operation with other contractors for this project. INVITATION: The forwarding-of-participation forms for this pre-qualification can be asked for by mail or by visit at the latest on July 21, 1982 at the following address: ISKI, Istanbul Su ve Kanalizasyon Idaresi, 1st Sular Genel Mudurlugu, Sanatci Cikmezi, Beyoglu-Istanbul, Turkey. Completed pre-qualification forms shall be submitted in two copies by mail or personal delivery to the above address at the latest on July 25, 1982.

Public Establishment of Electricity Fincail directorate-extern contract section

EXTENSION OF THE CLOSING DATE OF TENDERS No. 1461-1460-1459-1458-1457-1452

Table with columns for Tender No., Subject, The closing date, and The opening date. Lists tenders for 4525 5 fork lifts, 4526 75 pick up, 4527 6 digger derrick, etc.

Damascus 23/5/82 THE GENERAL DIRECTOR OF PEE ENG. R. IDRIS

SUDAN RAILWAYS CORPORATION STORES DEPARTMENT NOTICE

Contract Nos: 5350 SUPPLY OF ONE HEAVY-DUTY GRINDING MACHINE 5351 SUPPLY ON ONE SHAPING MACHINE 5352 SUPPLY OF ONE ULTRASONIC FLAW DETECTOR 5353 SUPPLY OF TWO ARC WELDING SETS 5354 SUPPLY OF TWO DRILLING MACHINES 5355 SUPPLY OF TWO CENTRE LATHES

Documents can be obtained from the office of Sudan Government Purchasing Agent of 3-5 CLEVELAND ROW, ST. JAMES'S, after payment of £2.00 per set for the first four contracts and £2.00 per set for the last two contracts. The closing dates affixed for acceptance at ATBARA-SUDAN are: 15th July 1982 for contracts 5350 & 5351, 17th July 1982 for contracts 5352 & 5353, 18th July 1982 for contracts 5354 and 5355. OFFICE OF CONTROLLER OF STORES

EDUCATIONAL

FRENCH 66 Teaching staff presence from 8.15 to 8.45. Includes French A LA CARTE and GERMAN INTENSIVE AND EFFECTIVE courses.

COMPANY NOTICES

EUROFIMA (European Company for the Financing of Railway Rolling Stock) 1978/1985 8 1/2% U.S.\$20,000,000. Notice is hereby given to bondholders of the above loan that Eurofima has acquired through purchase in the market an amount of US\$80,000,000 and that such amount will be credited against mandatory payments due on July 1, 1982. Furthermore Eurofima has exercised its option to redeem an additional US\$80,000,000 by purchase. Amount outstanding: US\$16,800,000. The Fiscal Agent: KREDITBANK SA, Luxembourg June 9, 1982

UK NEWS - PARLIAMENT and POLITICS

No return to UN over Falklands

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER yesterday rejected demands that Britain should make another attempt to settle the Falklands conflict through the UN Security Council.

Mrs Thatcher told MPs that the Government supported the UN Security Council's resolution requiring the territorial integrity of Lebanon to be respected.

and the Palestinian people, she told MPs, and she wanted to see the territorial integrity of the Lebanon restored.

was not the British Government or the UN that was standing in the way—it was the Argentine junta.

LABOUR

Rail guards oppose union deal on flexible rostering

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRAIN GUARDS' representatives have voted overwhelmingly against the decision of their union, the National Union of Railwaymen, to accept the key productivity improvement of more flexible rostering.

— which they feel will strengthen left-wing opposition on the NUR executive to flexible rostering, and will be used by the train drivers' union to back its opposition to the system.

Mr Weighell is also expected to be criticised at today's meeting of the NUR executive, where he is likely to be taken to task for apparently formulating union policy on the spot in his remarks suggesting the NUR would make a pay deal with BR separate from Aslef.

Telecom engineers accept 8% package

BY DAVID GOODHART, LABOUR STAFF

THE POST OFFICE Engineering Union has accepted a pay package with British Telecom which gives an 8 per cent rise all-round but includes a 5.25 per cent cut for new staff recruited into the lower technical and manual grades.

to differential pay rises for presently employed POEU members. He also said that BT's 2,200 labourers were the best paid unskilled manual workers in the country.

Bank staff may block Saturday opening

By Brian Groom, Labour Staff

BARCLAYS BANK'S largest union, representing 40,000 of its 70,000 UK staff, is drawing up contingency plans to fight any reintroduction of Saturday opening this autumn.

BA cabin staff hit flights

BY BRIAN GROOM, LABOUR STAFF

BRITISH AIRWAYS yesterday cancelled 16 of its 23 intercontinental flights from London because of a dispute with cabin staff, who are claiming longer rest periods.

BA denies that this endangers health. In a letter to employees yesterday, it said alternative proposals would mean recruiting 150 more staff and cost an extra £1m a year in hotel costs and allowances.

Miners join picketing nurses

official who told the crowd that picketing had brought the miners out was told later that more than 75 per cent of the pits had taken the decision without a picket in sight.

YORKSHIRE was up in arms yesterday and it made a damning sight. Like some bizarre scene from Grimm's Fairy Tales, a busy county-bound miners all the county flocked in their thousands to the distressed workers in the National Health Service in a flourish of righteous indignation, and socialist chivalry.

outrage ran only inches beneath the surface. One unfortunate reporter who asked whether the hospital was running on a skeleton staff was turned on by an elderly matron: "We'll all be a skeleton staff soon if we accept this wage offer," she said.

Several other unions, including Aslef train drivers, joined the picket line in Leeds. But in Yorkshire, the euphoria of the smaller towns was markedly less apparent.

Muscle-bound pit workers take to the streets in a flourish of socialist chivalry.

Ivo Dawney reports from Yorkshire.

NHS workers marched to a rally in the shady cathedral square. The column snaked through grimy shopping streets, as hoarse cries of "Maggie out" mingled with a hasty reworking of current advertising slogan.

But speakers who tried to lay the blame entirely at the door of the current government were rebuffed sharply when a rousing cheer followed a suggestion that the Labour Party had also failed in the past.

As one red-faced protester pointed out: "We can't be stubborn too."

Commons Sketch

Reagan's technique dazzles both Houses

PRESIDENT REAGAN came to Westminster to improve his image and to reassure MPs that he was not the aging film actor of popular repute, but an international statesman dedicated to peace and freedom.

What he succeeded in doing was dazzling his audience with the use of the latest presidential support system and demonstrating that he retains the same homely outlook which took him from B movies, in which the world is sharply divided into good guys and bad guys, to the White House.

Large and clear

To the audience, the screens looked transparent and the words could not be seen. It therefore looked as if the President was merely glancing from left to right to embrace different parts of the audience. From his side, however, the words were written large and clear.

Bemused tourist

The President, still wearing his ordinary lounge suit, was then conducted into the gallery, where he was greeted by a fanfare of trumpets and introduced to the Lord Chancellor and the Speaker of the Commons. By the time he was seated on the dais between the two bejewelled and painted figures of the Speaker and the Lord Chancellor, he had the slightly bemused air of a tourist who had wandered on to the set for an MGM extravaganza.

Foot criticises Versailles summit 'platitudes'

BY JOHN HUNT,

THE CONTINUED need to reduce interest rates, inflation and budget deficits was heavily emphasised by Mrs Thatcher yesterday when she reported to the Commons on the economic outcome of the Versailles summit.

Tory unionists urge industrial relations reform

By John Lloyd, Labour Editor

CONSERVATIVE trade unionists are press Mr Norman Tebbit, the Employment Secretary, for a commitment to introduce a Trade Union Reform Bill, either in the next session of parliament or as part of the next Conservative manifesto.

Healey attacks managers

MANAGEMENT IS the Achilles heel of the British economic system, Mr Denis Healey, Labour's deputy leader, said in London yesterday.

Unease over broadcast questions

LIVE broadcasting of Question Time made the House of Commons sound like "a second-rate beer hall" and was "an unmitigated disaster," some MPs have told a Commons Committee.

Fowler deplores stoppage by health service workers

THE GOVERNMENT yesterday continued to resist demands for increased pay offers to nurses and other health workers.

Tebbit denies compulsion

THE GOVERNMENT'S plans for a new youth training scheme do not involve an element of compulsion, Mr Norman Tebbit, the Employment Secretary, said yesterday.

More members urged for Ulster Assembly

NORTHERN Ireland's Boundary Commission has suggested increasing the number of members due to sit in the Ulster Assembly proposed by Mr James Prior, Secretary of State for Northern Ireland.

Tax advice for companies buying own shares

BY IVOR OWEN

AN INFORMAL clearance procedure is to be provided by the Board of Inland Revenue to assist applicants to take advantage of the tax relief provided in the Finance Bill for companies buying their own shares.

Bank staff may block Saturday opening

By Brian Groom, Labour Staff

BARCLAYS BANK'S largest union, representing 40,000 of its 70,000 UK staff, is drawing up contingency plans to fight any reintroduction of Saturday opening this autumn.

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FT COMMERCIAL LAW REPORTS

Intention insufficient for legitimate last voyage

JADRANSKA SLOBODNA PLOVIDBA v GULF SHIPPING LINES LTD

Queen's Bench Division (Commercial Court): Mr Justice Staughton: May 25 1982

A TIME-CHARTERER who intends, after discharging cargo carried under the charterparty, to use the ship to carry other cargo on a voyage which he reasonably anticipates will be completed within the charter period, cannot assert that it is a legitimate last voyage unless he communicates his intention forthwith to the shipowner.

Mr Justice Staughton so held when giving judgment for the shipowners, *Jadranska Slobodna Plovidba*, on an appeal from an interim arbitration award in their claim for damages against the charterers, Gulf Shipping Lines Ltd, for failure to redeliver the chartered vessel, the *Matija Gubec*, within the time limit specified in a charterparty on the New York Produce Exchange Form.

HIS LORDSHIP said that under a charterparty the owners agreed to let the *Matija Gubec* for one Far East voyage. The charterers had an option to take the vessel for 12 months, "45 days more or less," and a second option, to extend the first period by a further 12 months, "45 days more or less."

The charterers exercised both options. The vessel was delivered for service on December 8 1972, and the period of two years, 45 days, was thus due to expire on January 22 1975.

By mid-November 1974 it was the charterers' firm intention to use the vessel, after the Far East cargo had been discharged, to carry a cargo of cement to Lagos. It was reasonably expected that the vessel would complete discharge in Lagos on January 9 1975. That would have enabled the charterers to redeliver the vessel 12 or 14 days later, probably on January 22, the very last day of the charterparty period.

Those expectations failed to materialise. The vessel was delayed and was not redelivered until April 1. The charterers sought to resist the owners' claim for damages by reason of the combined effect of two well-established propositions.

The first was that, if a time charter provided for that was apparently a fixed and definite period, there was nevertheless a certain flexibility which would permit redelivery a few days late. Thus a time charter "for a period of two years" was not broken if, for example, the vessel was redelivered after two years and five days.

The second proposition was that charterers were entitled to order a vessel on a last voyage under a time charter if they reasonably anticipated that the voyage would be completed within the charter period, either according to the literal wording of that period, or as extended by the effect of the first proposition.

Both those propositions were well-established. They gave flexibility and business efficacy to what would otherwise be an intolerably rigid contract.

The arbitrator found that by early December the charterers were committed to lifting the cement; that on December 7 the charterers ordered the owners to perform the voyage to Lagos; and that the voyage, under foreseeable circumstances at the start of loading on December 10, was not a legitimate voyage, but that by then the ship was already committed to lifting the cement. He evidently concluded that the date at which the legitimacy of the last voyage must be tested was December 10, when loading began. He decided the issue in favour of the owners.

Two questions arose in the present argument. First, when a charterparty provided for a period such as two years, "45 days more or less," was any

additional tolerance allowed? Or was the 45 days itself the tolerance to be applied?

It was well-settled that the tolerance which the law implied might be ousted by appropriate wording. It was also established by binding authority that where the parties provided their own tolerance, as by the words "45 days more or less in charterers' option," that ousted the tolerance implied by law. (See in *The Dione* [1975] 1 Lloyd's Rep 115, the *Aspa Maria* [1976] 2 Lloyd's Rep 643, and the *Mareva AIS* [1977] 1 Lloyd's Rep 368.)

His Lordship considered that he was bound by decisions of higher authority as to whether a given form of words in a commonly used form of contract was sufficient to exclude an implication which the law would otherwise make. Mr Justice Kerr was of the same opinion in *The Mareva*.

When shipowners or charterers or their broker, or even their lawyers, needed to decide rapidly whether a prospective voyage would or would not be within the limits of time permitted by a charterparty, it could well be understood that they would wish to have those limits clearly defined. They already had to hazard an estimate of how long the prospective voyage would take, without also having to guess what an arbitrator or judge would assess as a reasonable tolerance at some date in the future. A firm intention on the part of the charterer was by itself insufficient to establish the date of the legitimacy of a last voyage.

The charterparty expired on January 22 and the charterers were liable to the owners in damages.

For the owners: Mark Hamelock-Allen (Clyde & Co.).
For the charterers: V. V. Veeder (Lloyd, Denby Neal).
By Rachel Davies Barrister

November), or when they were committed to lifting the cement (early December), or when they ordered the owners to perform the voyage (December 7), or when they started loading the cargo (December 10)?

If the charterers could not succeed by virtue of their firm intention in mid-November, they did nothing which further tied them to the cement voyage thereafter.

The formation of a firm intention by the charterers as to the use of the vessel was not by itself sufficient to establish a legitimate last voyage. The reason was, again, business convenience.

A shipowner at some later date would be ordered by the charterer on the voyage in question. By that date the voyage might appear likely to exceed the charterparty time limit together with an express or implied tolerance. When the shipowner protested, the charterer would tell him that a firm intention to perform the last voyage was formed some days, weeks or months ago.

The shipowner would have no readily available means of verifying that assertion. On the other hand, if the charterer really did form a firm intention, there was nothing whatever to stop him communicating that intention forthwith to the shipowner in the shape of an order. If he chose to keep it secret, then he did so at his own risk.

A firm intention on the part of the charterer was by itself insufficient to establish the date of the legitimacy of a last voyage.

quite good enough to take back Henry's Secret, who was regarded a Windsor prize on the plate and consistent Figgott looked over the wrong shoulder on Bright Crocus.

NEWBURY
2.00—Judy Conkers
2.30—Kiva
3.00—Town Flier
3.30—Fine Edge**
4.00—More Kisses
4.30—Sandaly

YARMOUTH
2.45—Miss Thames
3.45—His Turn*

BEVERLEY
7.10—Karen's Star
7.35—Henry's Secret***
8.35—B Jaski

RACING
BY DOMINIC WIGAN

GOOD CLASS fillies' races are the feature today with Newbury's Twyfords Stakes being followed later in the evening by that always intriguing two-year-old race at Beverley, the Hilary Neeldier Trophy.

Both races could well develop into matches near home for Swift Wing—now thought to be back to her best—and More Kisses should have the pace to shake off rivals in the closing stages of the Twyfords. The hat-trick seeking Miss Realm and

Henry's Secret ought not to be troubled by Tysandl at Beverley.

Henry Candy, whose long wait for a first English classic victory ended on Saturday, must be hopeful that in More Kisses he has another filly to follow Major Charter's example in the time middle-distance event.

On her only appearance to date More Kisses left no-one in doubt at Salisbury recently that she is capable of running with distinction on the grade one courses when forging to victory in a division of the Wincanton Maiden Stakes.

If, as seems likely, More Kisses has come on a few

pounds as a result of that first effort, she could well have the measure of Swift Wing, a tough and consistent two-year-old who, like most of the Arundel horses, was clearly out of sorts in the spring.

Half-an-hour before the Twyfords, anything but a win for Mr Abdulla's Fine Edge in the Berkshire Stakes will come as a surprise to many.

Miss Realm, a four-lengths winner at a recent Ripon evening meeting after scraping home at York, seems sure to make a bold bid to keep the Hilary Neeldier Trophy in Yorkshire. However, I doubt if the Easterly filly will be

Williams & Glyn's

Interest Rate Changes

Williams & Glyn's Bank announces that with effect from 8th June 1982 its Base Rate for advances is reduced from 13% to 12½% per annum.

Interest on deposits at 7 days' notice is reduced from 10% to 9½% per annum.

Williams & Glyn's Bank plc

BASE LENDING RATES			
ABN Bank	13%	Robert Fraser	14%
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American Express	13%	Guinness Mahon	12½%
Amro Bank	13%	Hambros Bank	12½%
Bank of Montreal	13%	Heritage & Gen. Trust	13%
Bank of Ireland	13%	Hill Samuel	13%
Bank of Cyprus	13%	C. Hoare & Co.	13%
Bank of N.S.W.	13%	Hongkong & Shanghai	12½%
Bank of S.A.	13%	Kingsnorth Trust Ltd.	14%
Bank of S.W.	13%	Knowles & Co. Ltd.	13%
Bank of S.E.	13%	Lloyds Bank	12½%
Bank of S.W.	13%	Mallinhal Limited	13%
Bank of S.W.	13%	Edward Manson & Co.	14%
Bank of S.W.	13%	Midland Bank	12½%
Bank of S.W.	13%	Samuel Montagu	12½%
Bank of S.W.	13%	Morgan Grenfell	12½%
Bank of S.W.	13%	National Westminster	12½%
Bank of S.W.	13%	Norwich General Trust	12½%
Bank of S.W.	13%	P. S. Refson & Co.	13%
Bank of S.W.	13%	Roxburgh Guaranties	13%
Bank of S.W.	13%	E. S. Schwab	13%
Bank of S.W.	13%	Slavenburg's Bank	13%
Bank of S.W.	13%	Standard Chartered	13%
Bank of S.W.	13%	Trade Dev. Bank	13%
Bank of S.W.	13%	Trustee Savings Bank	12½%
Bank of S.W.	13%	TCB Ltd.	13%
Bank of S.W.	13%	United Bank of Kuwait	12½%
Bank of S.W.	13%	Whiteaway Laidlaw	13%
Bank of S.W.	13%	Williams & Glyn's	12½%
Bank of S.W.	13%	Witnurst Secs. Ltd.	13%
Bank of S.W.	13%	Yorkshire Bank	12½%
Bank of S.W.	13%	Members of the Accepting Houses Committee	
Bank of S.W.	13%	7-day deposits 8.5%: 1-month 9.75%: Short term £3,000/12 month 12.1%.	
Bank of S.W.	13%	7-day deposits on sums of: under £20,000 10%: £20,000 up to £50,000 11%: £50,000 and over 11½%.	
Bank of S.W.	13%	Call deposits £1,000 and over 9%.	
Bank of S.W.	13%	21-day deposits over £1,000 11½%: Demand deposits 10½%.	
Bank of S.W.	13%	First Nat. Secs. Ltd.	15½%
Bank of S.W.	13%	Mortgage base rate.	

Grindlays Bank p.l.c.

Interest Rates

Grindlays Bank p.l.c. announces that its base rate for lending will change from 13% to 12½% with effect from 9th June 1982.

The interest rates paid on call deposits will be call deposits of £1,000 and over 9½% (call deposits of £300 — £999 8½%).

Rates of interest on fixed deposits of over 25,000 will be quoted on request.

Enquiries: Please telephone 01-930 4611

Grindlays Bank plc
Head Office: 23 Fenchurch Street, London EC3P 3ED

Yorkshire Bank

Base Rate

With effect from 9th June 1982 Base Rate will be changed from 13% to 12½% p.a.

Yorkshire Bank
Reg. Office: 20 Merrion Way Leeds LS2 8NZ

GARDENS TODAY

The hardy, dependable cistus

BY ROBIN LANE FOX

LOOKING ROUND gardens this June, I have my eye on cuttings for the future. By mid July, my season for this pleasant task will reach its peak.

Out-of-flower good parents are easy to miss, so I am marking the best varieties in my mind. I am sure to forget them in the deluge of roses, mock orange blossom and campanulas which distract us in a month's time.

At the lower levels, beneath sunny walls or in the forward rose of a border, the winter has left some serious losses. I have been filling up with violas, pink hardy geraniums and boxes of tobacco plants. No doubt they will look as good as many things which I lost, but I will continue to miss my older cistus and as these season is now beginning I am watching others' plants very closely and planning to take cuttings from the best.

The cistus is that shrub of the Mediterranean maquis whose leaves are too aromatic for the diet of goats and whose saucer shaped flowers come in shades of pink or white, marked with attractive blotches. On the long view it is nature's sad rector to men's assault on her former beauty.

By clearing off her tall trees and grazing her soft shrubs with flocks, man made the Mediterranean into a dry sunny desert which the cistus invaded and appreciated. For once, nature's loss was greater than ours, for the cistus's flowers in colour and shape made up for some of the damage to woods and meadows. Once, Sicily and Cyprus were thick with trees, now they are thick with cistus and some of the best are among my favourite garden shrubs.

The winter confirmed conventional views of their hardiness. The toughest clearly is the form called *Betty Taudivin* whose brighter colour and tougher nature impressed me at Wisley last summer.

The dullest sister, as often is among the most widely bought. Called *Silver Link* it is a wretched disappointment. I would bet on it in cold gardens and like its freedom of flower and its thin shape to a height of 6 ft.

However, it cannot compare with the glorious tall form called *Cyprusus*. This is a shrub with white flowers blotched with chocolate brown in their centres. It grows quickly, spreads to a height of 6 ft and a width of five or six. I lost my old plant, but retained a young one which was growing in the centre of an unprotected border.

The leaves have the resinous tang of a delicious cistus and although they look rather dry in winter, their shiny olive-green effect is pleasant in the growing season. I would want this rewarding shrub in the middle of any new sunny border, especially on a steep soil. The flowers fall quickly after opening, but they appear so freely that the shrub persists in colour for several weeks.

At the same height the beautiful spreading form of *Laustanicus* is more tender but even more desirable. Its white flowers have deep crimson veins in their centre and appear on wide mounds of spreading branches.

Besides a house or on a terrace I would choose this long flowering shrub wherever I could shelter it. There is an aromatic hybrid called *Lorell* which has a similar contrast of colours but it grows into a bush not a carpet. In botanical collections, it seems to me to have the most gum on its leaf and the most strongest scent among its white and crimson flowers.

There are many others but none so good as these. They will grow in any sunny site and the poorer the soil, the tougher their performance in a cold winter. Give a cistus a dry sunny site and you will please. By late July, I'll be setting off with polythene bags to harvest my chosen cuttings.

If your older plants have been partly killed, cut their bark now to the first signs of green on a stem. Remember, however, that they will never sprout again from brown wood. Otherwise, take young cuttings from the base and root them easily in the humid shelter of a polythene bag or cover for a seed box.

Cistus grow very fast and are a dependable gamble. For little cost and trouble, you can raise a dozen for yourself.

TELEVISION

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only).
10.00 You And Me. 10.15-11.37 For Schools. Colleges. 1.00 pm News After Noon. 1.30-1.45 Over The Moon. 2.01-2.00 For Schools. Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Scooby Doo. Where Are You? 4.40 Oscar. Kina and the Laser. 5.05 John Craven's Newsround. 5.10 Wildtrack.
5.40 News.
6.00 Regional News Magazines. 6.25 Nationwide.
6.50 Number One: Pat Jennings recalls his football life.
7.25 The Wednesday Film: "The Valley of Gwang", starring James Franciscus
9.00 News.
9.25 Sportsnight: Athletics from Crystal Palace—England v U.S. v Australia v Sweden; Boxing (pre-view of Larry Holmes v Gerry Cooney); plus report from the World Show Jumping Championships in Dublin.
10.38 News Headlines.
10.40 The Tony Awards 1982 for achievement in the American theatre, Broadway's Imperial Theatre.

BBC 2

6.40-7.55 am Open University. 10.05 Gharbar. 10.30-10.55 Play School. 12.30-1.20 pm Open University. 5.10 The Study of Drawings. 5.35 Charlie Brown. 6.00 The Great Cover-Up. 6.40 The Ascent of Man.

TELEVISION

Chris Dunkley: Tonight's Choice

Those of us who dislike soccer but have some residual enthusiasm for other sports, despite the tedious and despicable antics which too much money too often produces nowadays, should be relishing every morsel available in these past few days before the boredom of the World Cup envelopes all. Sportsnight on the 8th brings the first big outdoor athletics match of the season from Crystal Palace with England competing against the USA, Australia and Sweden. They also promise a preview of Gerry Cooney's fight for the heavyweight championship of the world against Larry Holmes in Las Vegas on Friday. That will be televised by BBC 1 on Saturday night.

Tonight's ITV programme competing with Sportsnight (which as usual is presented by Harry Carpenter) surely constitutes a unique clash: it is a play about boxing written by Peter Cheevers and Ian La Frenais called *Harry Carpenter Never Said It Was Like This*. It is not unknown for actors to clash with themselves, but surely no sports commentator ever before dominated Britain's two most popular channels simultaneously.

BBC 2 repeats *The Englishman And The Horse*, a splendid documentary made by Edward Mirzoeff featuring not so much the predictable horse females of the county set (though they appear) but much more bizarre enthusiasts.

RADIO

ANGLIA

1.20 pm Anglia. 2.45 The Last of Summer. 3.15 Jingles. 6.00 About Anglia. 11.45 Clive James and the Calendar Girls. 12.45 am Personal View.

BORDER

1.20 pm Border News. 2.45 Ireland of the Wilcocks. 5.15 Survival. 6.00 Lookaround Wednesday. 11.45 Border News Summary.

CENTRAL

1.20 pm Central News. 2.45 The Body Human. 5.15 Different Strokes. 6.00 Crossroads. 6.25 Central News. 11.45 Replay.

CHANNEL

1.20 pm Channel Lunchtime News. What's On White and Weather. 2.45 The Last of Summer. 5.20 Crossroads. 6.00 Channel Report. 6.30 Bailey's.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.45 Trapper John. 5.15 Jingles. 6.00 North Tonight. 11.45 Scottish Lighthouse. 12.15 am North Headlines.

GRANADA

11.45 am Wattoo. Wattoo. 1.20 pm Granada Reports. 1.30 Exchange Flags. 2.00 Crown Court. 2.30 Putting on the Style. 2.45 The Lena Merrill Show. 3.15 Arthur C. Clarke's Mysterious World. 4.45 Andy Robson. 5.15 Mr Merlin. 6.00 This is your Right. 6.05 Crossroads. 6.30 Granada Reports. 11.45 City of Angels.

HITV

1.20 pm HITV News. 2.45 Fantasy Island. 4.15 Ask Oscar. 5.15 Fantasy Benjamin. 6.00 HITV News. 10.43 HITV News. 11.45 Ladies' Man.

SCOTTISH

12.30 pm Survival. 1.20 Scottish News. 2.45 My Father's House. 5.10 Feature Tote. 5.20 Crossroads. 5.30 Scotland Today followed by Accion Line. 6.30 Down to Earth. 11.45 Late Call. 11.50 Pro-Celebrity Snooker.

TVS

1.20 pm TVS News. 2.45 Trapper John. 5.15 Watch This Space. Good News of the Week. 6.30 Coast to Coast.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North News. 1.25 Where the Jobs Are. 2.45 The Love Boat. 5.15 News. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 6.30 North East News. 11.45 Pavilion Folk. 12.15 am The Sound of Silence.

ULSTER

1.20 pm Lunchtime. 2.45 Young Ramsay. 4.15 Ulster News. 6.15 Gambit. 6.50 Good Evening Ulster. 12.02 am Ulster Weather. 11.45 News at Bedtime.

YORKSHIRE

11.55 am The Undersea Adventures of Captain Nemo. 1.20 pm Calendar News. 2.45 Charlie's Angels. 6.15 Friday. 6.30 Calendar. 6.30 Calendar (Emory Moor and Belmont editions). 11.45 The Living Legends of Jazz.

THE EMPLOYMENT BILL

The Financial Times published a series of articles during March and April looking at Norman Tebbit's Employment Bill. These articles have now been reprinted as a booklet and are available at a cost of 50p (including p&p).

Please send cheques or postal orders payable to Financial Times to:

Nicola Banham, Publicity Department,
Financial Times, Bracken House, 10 Cannon Street,
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TECHNOLOGY

EDITED BY ALAN CANE

Hazel Duffy reports on a solution to urban transport

Travel by sophisticated bus

SINGAPORE IS the latest in a growing list of cities which has opted for the construction of expensive underground transport systems as the preferred solution to its urban transport problems.

The name of O-Bahn. It is based on the flexible usage of the basic bus, which can be adapted for use in many different ways both underground, on raised sections, on guided tracks, as a high-capacity multiple unit vehicle, and even as a completely automated driverless system. The system can be run at speeds up to 100 kph.

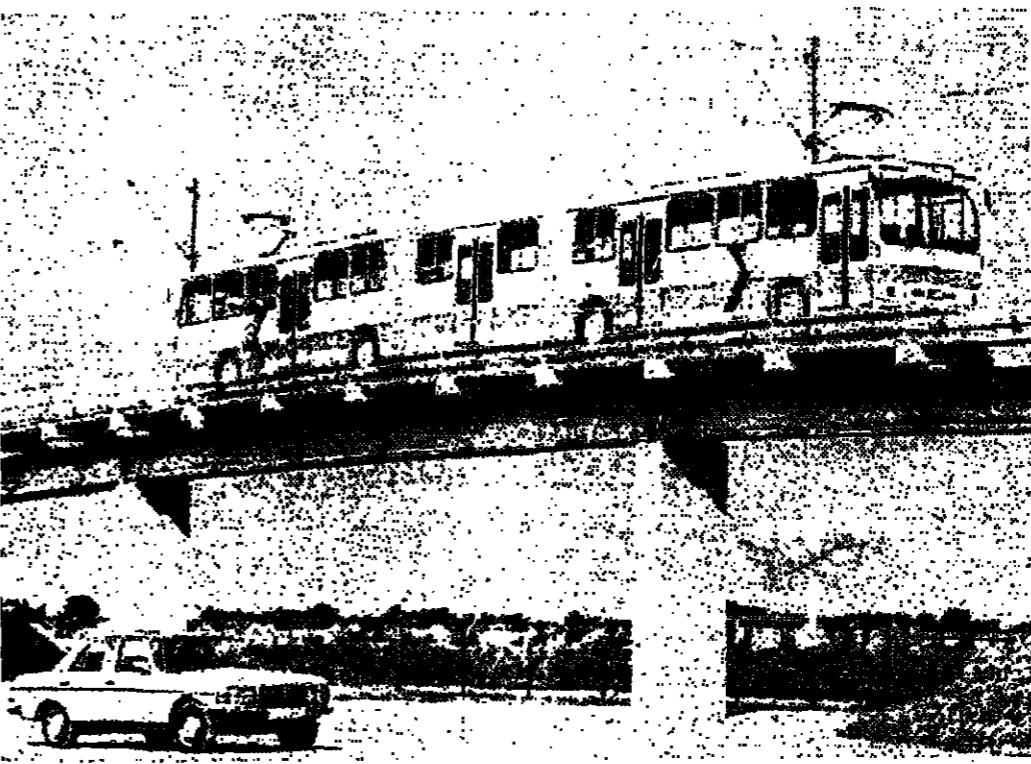
The company also works with AEG-Telefunken on the development of electric drive equipment, with SEL (part of IFF) on computer systems of control, and with Ed Zublin on the construction of tracks.

The next stage at Essen, on which work has started, will provide 2.5 km of dual operation trackway early 1983, and the third stage will be a mixed bus-streetcar operation in a 2.3 km long tunnel.

O-Bahn Components	
Vehicle	single • single • single or vehicle train
Drive system	Internal combustion engine • electric motor • other combinations (hybrid)
Roadway	public roads • separate lane at ground level • tunnelled • elevated
Track guidance	manual • mechanical • electronic • track guidance • fixed guidance system combinations
Command and control system	radio • automatic information system management • fully automatic operation
Operation	regular service with timetable • demand mode

Plus point

Adelaide chose the O-Bahn as against a light rail system primarily on grounds of cost, although more expensive than a conventional bus system, Daimler-Benz says the O-Bahn was preferable on a number of considerations such as maximum safety at speeds of 100 km per hour, low noise emission, comfort, etc.



Low-cost guideway and track guidance elements are an essential part of the O-Bahn system and this also applies to bridges of prefabricated materials used to heat bottlenecks in urban traffic.

positioning is achieved by counting the wheel revolutions. A computer system in the vehicle compares the nominal and actual speeds, transmitting signals to the actuating links of the brake system and the engine.

supreme is a tough assignment. For the company, acceptance of the O-Bahn—while, in spite of the Essen pilot project, is more likely to be outside West Germany—would provide a ready market for its buses.

UK enzyme for the genetic engineer

A BRITISH biochemicals company claims to be able to supply, for the first time in quantity, one of the most important new tools available to the genetic engineer.

(the count is over 350 and rising) hit the new enzyme is alone in recognising and cutting between two of the four bases which are combined in permutations and combinations in the genetic material.

small company linked with Liverpool University. Aha III was first isolated by Dr Nigel Brown of Bristol University, but that it proved difficult to prepare in quantity.

involves finding a material to which the desired enzyme has an affinity, and so can be used to separate the enzyme from all other protein in the pool—the biological analogy to magnetic separation of metals.

Challenger wins its heat tiles in half the time of Columbia

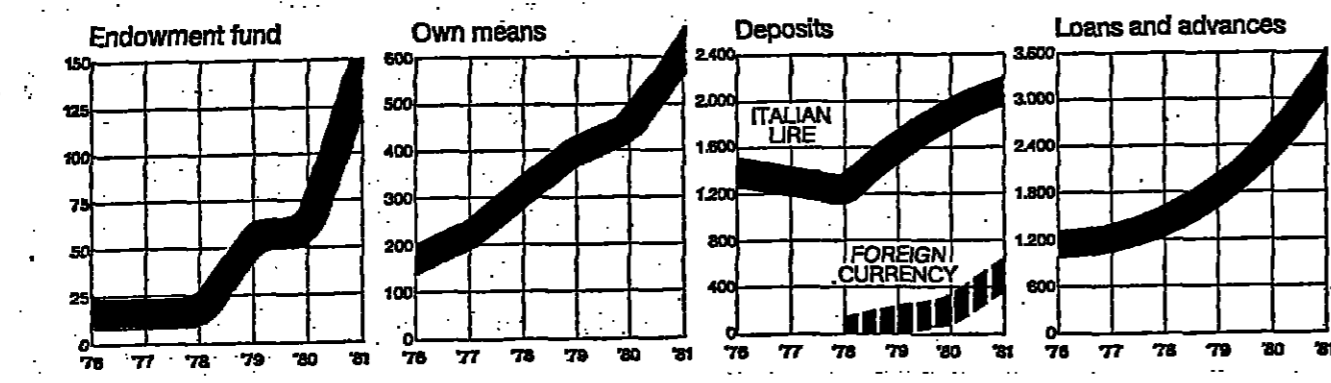
LOCKHEED Missiles and Space Company (LMSC) has now completed the heat resistant tiles for Challenger, the second of NASA's shuttle orbiter fleet and more than half have been attached to the space vehicle.

entry to atmosphere comprised of pure silica, commonly known as LI-600 and LI-2200.

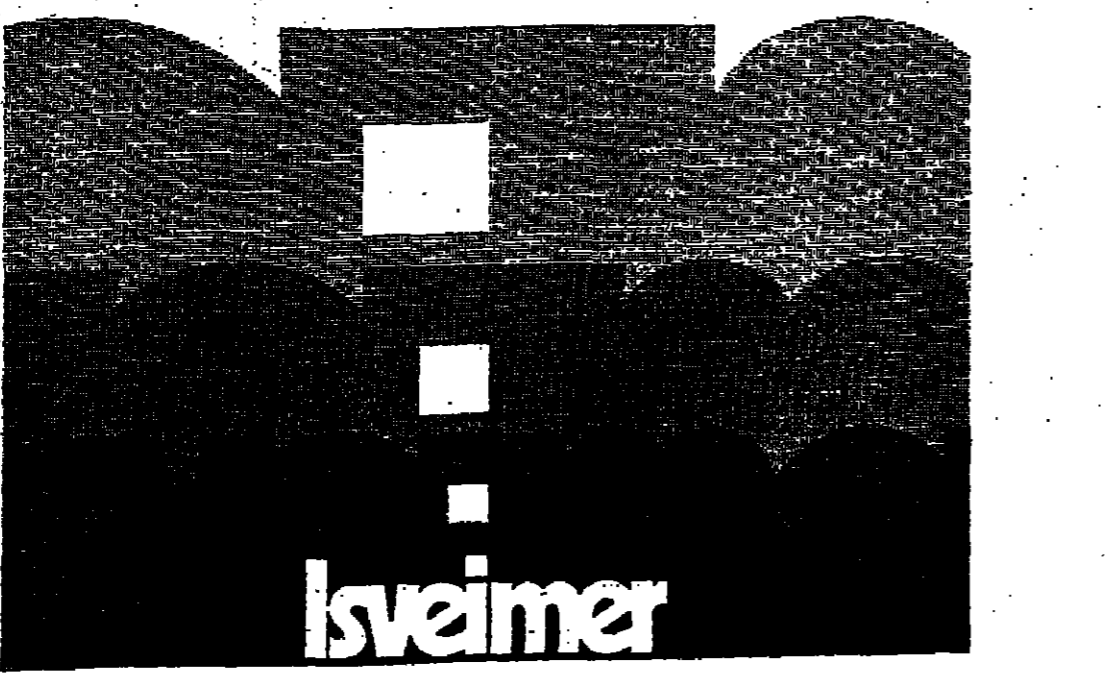
the two substances into a rigid structure during high-temperature sintering.

The growth continues.

The 1981 Balance Sheet figures have emphasized the growth achieved by Isveimer these past years, confirming the solidity of the Bank's financial position which has attained a level of exceptional importance.



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See Prestel page 35190#
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Surprise computer speaker

JACK MELCHIOR, the well-known Californian venture capitalist, will be a surprise guest speaker at a conference on "First Time Financing" sponsored next week by Barclays Bank and Computer Weekly.

Dilution of methane

THE National Coal Board has approved a de-gassing unit for the dilution of explosive methane in mines from Tool and Steel Products of Sheffield.

Heavy handler

ROLL-OVER, a handling device for heavy goods such as paper and cable reels and boiler sheet able to deal with loads up to 1816kg has been introduced by Aero-Go.

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Due to customer default, several new Diesel Generating Sets, suitable for tropical operation are now available from stock and at very competitive prices.
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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER BRENZ

Why Eaton's drivers cut the grass

Nick Garnett on the US group's attempts to remove British demarcation barriers

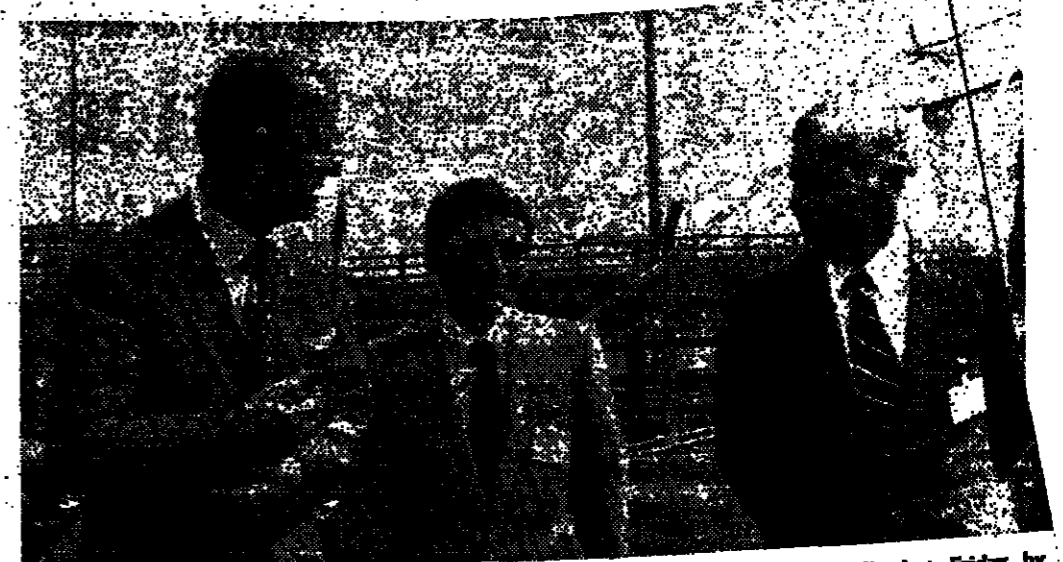
ONE OF Eaton Corporation's senior managers was strolling across the front of the company's truck transmission plant in Manchester, when he came across one of the site's heavy goods vehicle drivers. The driver informed him that since he did not have a "drop" to make that day he was going to help cut the grass around the buildings.

That kind of labour flexibility, which sends shudders through traditional trade unionists, reflects a staggering change over the past few years in the working environment at the Manchester site—one of two UK plants of the transmission division of Eaton Limited, the British holding company of the U.S. corporation. The other plant at Basingstoke has another product range, a different labour relations and investment background and has not been involved in the type of change taking place in Manchester.

The plant's history can be broken down into three phases. The period from 1965, when Eaton Corporation bought it, to 1978, was marked by some of the classic symptoms of low productivity and unpleasant management-union relations then common in many engineering factories, and possibly still prevalent in much of that industry.

Manchester facility, and instigated a programme of change. He was working with another recruit, Pat Tunney, the employee relations manager and a former official of the miners' union. "The meeting of minds is totally the responsibility of management," says Best. "Before, there had just been abdication."

At the same time, manpower was cut by 10 per cent, including some severe reductions in salaried staff. Tighter disciplines were imposed and staff and hourly-paid workers coming back late from the pub were sacked. Drinks in management board meetings were removed. "That created more squalls than almost anything else," says Best, "but it got us respect."



Brought on stream last Autumn, Eaton's new transmission plant was opened officially last Friday by Prince Philip (left). Alan Best (centre) is European operations manager and (right) is John Rodewig, vice president of Truck Components Europe.

Faulty system

Restrictive practices designed around craft demarcation, which is all too familiar to engineering managers, had a virtual stranglehold—skilled turners would only work a lathe, for instance, and fitters had to have mates. That inevitably bred overmanning. Introduction of new equipment was a touchy and awkward business. The use of an outside demonstrator to show the shopfloor the operation of a new lathe itself sparked off a strike, one of a number suffered by the plant.

Productivity was catastrophic at base-pay level, so during disputes workers could slash output dramatically simply by carrying out industrial action in such a way as to lose only their bonus.

Groundwork

Best says the groundwork for all this was at the preparatory stage before the fire, but the crystallised everything and allowed for much more rapid change.

There are some worries which the company can see, however. If union power is negated to such an extent, Eaton could be challenged by the union structure from outside—possibly in the shape of the local AUEW district committee.

BOARDROOM BALLADS DAY OF RECKONING

The chairman's great phlegmatic calm Spreads its reassuring balm, Like oil upon our troubled waters, Throughout the corporate headquarters, And soothes away our worried frowns, Across the business ups and downs, With words of fatherly good cheer, For fifty-one weeks of the year.

While some, with well-rehearsed finesse, And eyes upon the watching press, Will make pejorative assessments Of home or overseas investments, Or use their half-a-dozen shares To catch the chairman unawares, Enough to give the board the vapours When they read tomorrow's papers.

Productivity was catastrophic at base-pay level, so during disputes workers could slash output dramatically simply by carrying out industrial action in such a way as to lose only their bonus.

Next week: Corporate Communications.

THE HONGKONG BANK GROUP announces that on and after 8th June, 1982 the following annual rates will apply. Base Rate . . . 12 1/2% (Previously 13%). Deposit Rate (basic) 9 1/2% (Previously 10 1/2%). The Hongkong and Shanghai Banking Corporation, The British Bank of the Middle East, Mercantile Bank Limited, Antony Gibbs & Sons, Ltd.

Clydesdale Bank BASE RATE Clydesdale Bank PLC announces that with effect from 9th June 1982 its Base Rate for lending is being reduced from 13% to 12 1/2% per annum.

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THE ARTS

Spitalfields Festival

New London Chamber Choir/Spitalfields

After an impressive debut in three concerts in St. John's Smith Square...

The Davies piano sonata

On Monday a late-night recital at the Spitalfields Festival brought the second London performance of Peter Maxwell Davies' Piano Sonata...

tom de Haydn" reeled warily from bar to bar, with curious lights thrown upon the music while the essential demure poise was quite jettisoned...

Field concertos/Barbican

David Murray

John Field (1782-1837) invented the nocturne, more or less, and it ensues him a niche in musical history...

though note to be struck: the occasional vigorous sally never develops into a dramatic assault. That isn't to say that the expressive means are trivial...

NatWest backing for "Dream"

National Westminster Bank will continue to sponsor A Midsummer Night's Dream, the Royal Shakespeare Company's second production in its new Barbican Theatre on June 16.



Scene from 'The Longest War'

Television

Chris Dunkley

Freedom—even if it means rubbish

The scramble is on, among those who think they know better than the rest of us what is good for us to watch...

My own view is that for once historical inevitability is on the side of freedom of expression. Nanny may think she knows best, and she and her friends may stick their fingers in a number of holes in the dyke...

constantly hangs over Lebanon" while showing us little but Argentine footage. What British military men and civil servants will learn from the war, one hopes, is what they have learned long ago from Vietnam...

Further on Mr Gunn inexplicably brackets together the immediate dissemination of news about what has already happened with speculation on future moves, seeing both as a hazard to the troops...

The present official news blackout over the Falklands is slightly less infuriating than the original absurd mess in which television behaved as though everything was normal.

'On the Razzle'

There have been cast changes in the National Theatre's successful production of On the Razzle at the Lyttelton. Fortunately the key role of Zangler, the malapropositic grocer, is still in the brilliant care of Nigel Dwyer...

The Taming of the Shrew

Rosalind Carne

A transatlantic Kate in Regent's Park

A good dose of pacy, extravagant, stage business rescues Shakespeare's most unpalatable comedy. No sensible woman will endure taming and my principal problem in responding to this otherwise highly enjoyable production, is that Kate O'Mara...

ably from Paul Raffield who turns a minor servant role, Biondello, into a wise-cracking, gum-chewing GI. He breaks into a snappy tap dance routine for the play's only original song...



Christopher Neame and Kate O'Mara

Book Review

Clement Crisp

The Colonel and the dancers

De Basil's Ballets Russes by Katharine Sorley Walker (Hutchinson: £12.95; illustrated) Colonel W. de Basil has often had a bad press. "He thrived on intrigue. It was as subversive an atmosphere for de Basil as a dank cellar is for a fungus culture"

1962 has now been expertly told—I am tempted to write "unravelling" for it is a tangled knot of intrigues—by Katharine Sorley Walker, and it makes fascinating reading. It is a tale whose basic law is: two Russians—a ballet company; three Russians—own ballet companies and a law-suit.

THEATRES section containing a grid for F.T. CROSSWORD PUZZLE No. 4,892 and a list of theatre listings for various venues including the Barbican, Lyttelton, and National Theatre.

FINANCIAL TIMES SURVEY

Wednesday June 9, 1982

West German Banking and Finance

Like most banking communities in the industrialised world the West Germans have experienced two difficult years of recession coupled with widely fluctuating interest rates. There are signs of stability emerging on several fronts but the domestic prospect is for a period of growing competition in most sectors

Greater awareness of risk element

By Stewart Fleming in Frankfurt

THE WEST GERMAN banking and financial sectors have been shaken to the core by the events of the past two years which have forced German financiers to re-assess or discard many of the assumptions on which they conducted their business in the previous decade.

In international banking markets developments first in Iran and Afghanistan, then in Poland and now in the Falkland Islands have re-inforced the unease of German bankers about the political and financial risks in international lending.

Domestically too, however, the financial markets have been labouring under an awareness of increased risk as the realisation has spread that the economy and the financial institutions of the Federal Republic are bound up inextricably with increasingly volatile international financial markets.

The past two years have provided the most dramatic demonstration of this inter-relationship because the volatility of international financial markets has coincided with a period of economic weakness in West Germany itself. Over this period, as the German current account plunged into a DM 30bn deficit

in 1980, German inflation soared to a year-on-year peak of 6.7 per cent in October last, and the D-Mark plunged to three and four-year lows against the dollar, the Bundesbank (the central bank) has found itself forced to defend the international value of the German currency as well as its domestic value.

Unexpected

Its choice of priorities resulted in another unexpected upward surge in West German interest rates beginning in February of last year. This took long-term capital rates to post-war record highs of over 11 per cent and helped to plunge the domestic economy into a recession (from which it has yet to emerge) in the course of which unemployment and the bankruptcy rate have also hit record levels for the Federal Republic.

It is some comfort that the German current account is now headed for a surplus in 1982 and that inflation is falling towards the 4 per cent level. The Bundesbank has been able to relax its monetary policy and restore a Lombard rate of 9 per cent instead of the "special" Lombard rate of 12 per cent which ruled during most of 1981. In the process the threat of new losses on long-term bonds has been transformed into healthy profits and the banking sector, which is crucial to West Germany's

economic success has for the most part been restored to satisfactory profitability.

With capital market rates back to between 8 and 9 per cent and the currency apparently stable around DM 2.30 to the dollar, the authorities are able to boast of some "decoupling" from U.S. interest rates. But the fact that the economy is still locked in recession, that capital spending is still falling—probably at a faster rate than last year—and that there appears to be no more room to ease monetary policy further in the face of these problems underlines the extent to which even under today's relatively favourable circumstances for the external value of the D-Mark, domestic economic affairs are still heavily influenced by international developments. This interdependence has been—and remains—one of the factors forcing bankers in particular to adopt new business strategies at home and abroad.

Thus at home bankers around the country are vowing that never again will they speculate to the extent they did in the mid-1970s on the swings in the domestic interest rate cycle. Many banks then, partly under the pressure of competition from the fast growing Landesbanks but also in pursuit of size, took on billions of marks of fixed interest long-term loans, hoping to finance them later on short-term rates at widening spreads as interest rates fell. Instead rates rose to unexpected peaks, with short rates between 1979 and the present consistently higher than long rates, forcing those banks which had taken the plunge to accept losses.

In the case of Commerzbank the mismatched portfolio was over DM 20bn for Dresdner Bank and Westdeutsche Lands-

bank over DM 10bn. The burden may have been less for other banks, including some of the larger savings banks, but the shock of just how sadly wrong experienced banking executives can go has left its mark.

It is not just domestically, however, that some of the comfortable assumptions on which the German banks have operated have been overturned.

Of all the world's banks, the West German institutions have been the most heavily committed in Eastern Europe. In part this commitment reflected the willingness, even enthusiasm, of some banks to support the policies of détente through financing trade. Since this trade also benefited their German customers there was even more reason to undertake the business. And many of the banks made their loans on the assumption that a Soviet "umbrella" would ensure that East Bloc borrowers always paid their debts.

That umbrella has been blown away by the Polish crisis. Events in Poland, before then events in Iran and now the Falklands crisis have combined to make German bankers much more sceptical of their country's lending policies. They remain conscious of their vital role as financiers of German exports but are convinced that to fulfil this role and take the risks associated with it more profit and a thicker equity capital base are essential.

It is increasingly the role of profit which is taking the centre stage in the strategies of German bankers. Alongside the shocks of the past two years a major reason for this is the changes in German banking law which are planned for assessment the capital adequacy of the banks.

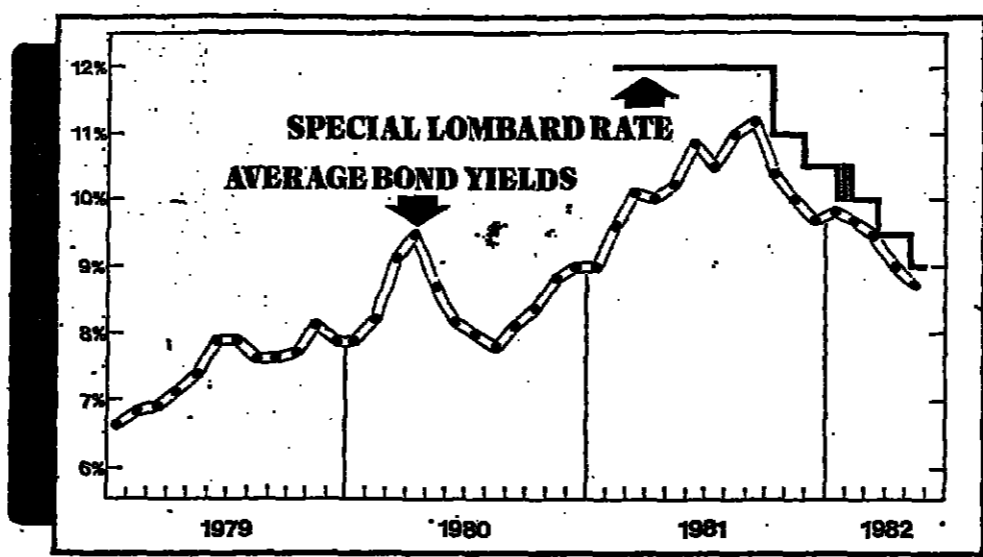
The Banking Law at present puts a limit of 18 times capital on the volume of loans which the banks can make. For a decade it has been a limit more

honoured in the breach than in the observance. Through their Luxembourg subsidiaries but also through domestic subsidiaries which are not consolidated, the German banks have been able to avoid this restriction completely. They have also been able to avoid it by lending to the Government and local authorities — lending which does not have to be backed by equity.

Foundations

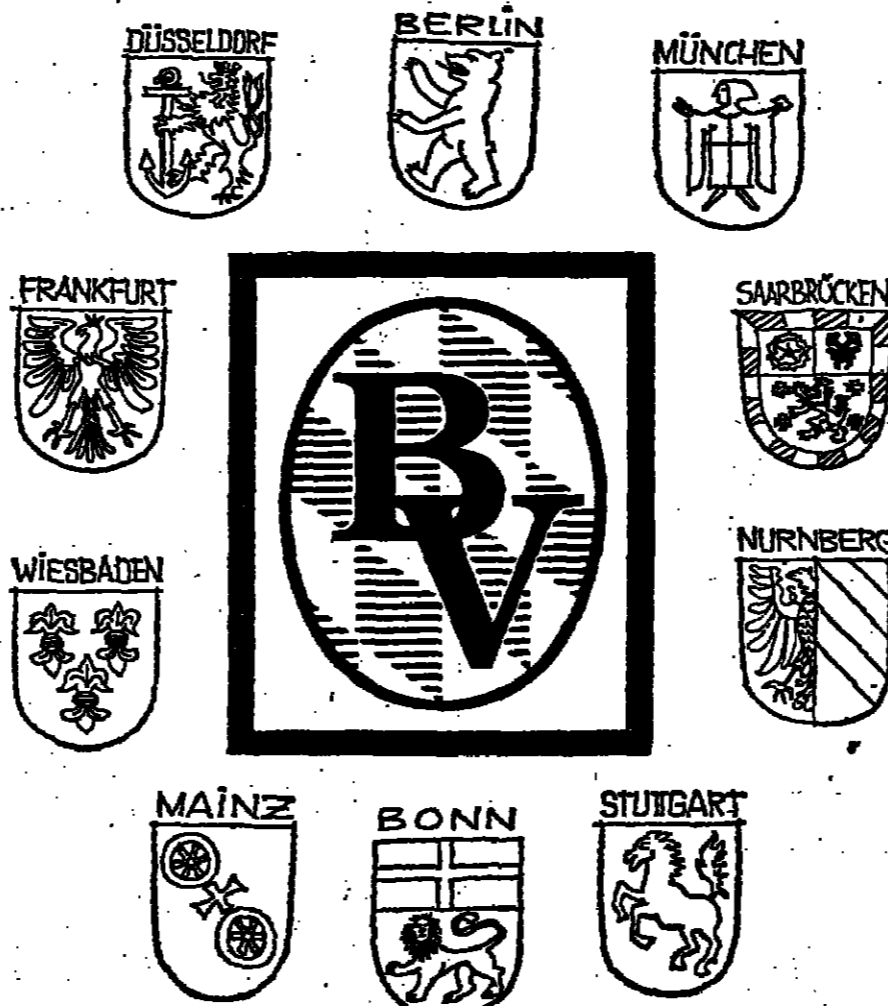
That loophole will remain. But already the Bundesbank and the Federal Banking Office have, through an informal agreement, begun to lay the foundations for a fundamental reform of German banking law which will force the banks to draw up accounts on a nationally and internationally consolidated basis to which the traditional banking laws will be applied. The Landesbanks had origi-

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WEST GERMAN BANKING AND FINANCE II

West Germany's banking system is a complex of commercial, private, co-operative and public institutions. Stewart Fleming reports on this and the following two pages on events of the past year and the shifts taking place in the competitive balance.

Where the strengths lie

ALTHOUGH THE West German banking industry is widely recognised as one of the most competitive in the world, with only Switzerland boasting a denser bank branch network per head of the population, the German banking groups have traditionally each had their special strengths.

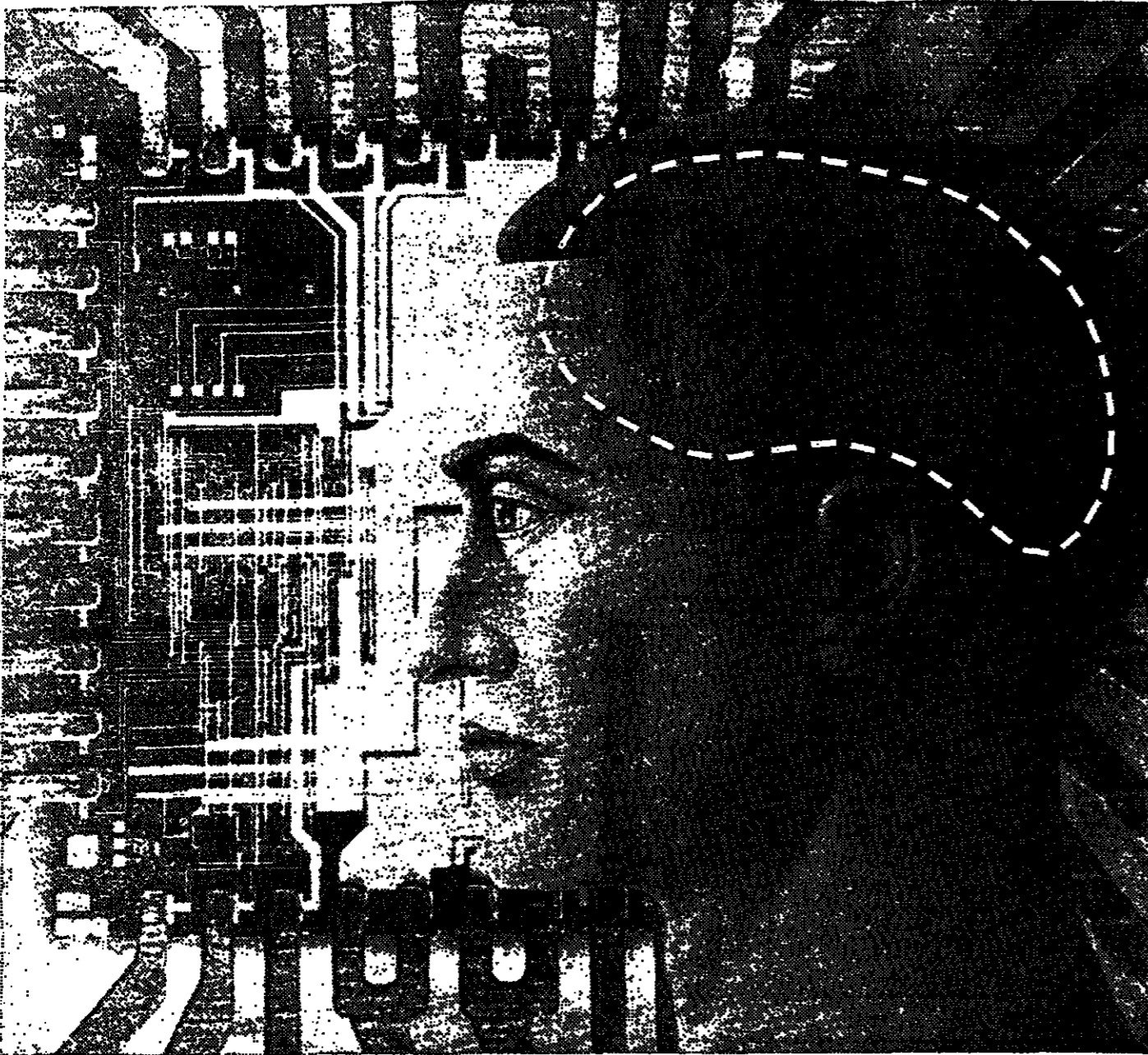
The commercial banks, for example, have historically been the dominant leaders in the corporate sector. The Landesbanks, partly because directly and indirectly their owners are local authorities and states, have been the leading force in lending to the public sector. The savings and the co-operative banks, with their dense network of branches and local ties, have dominated the retail banking market.

Increasingly in recent years, however, the search for new lending opportunities and profitable expansion has brought the various banking groups into more intense competition, although not always with the results originally intended. Thus, even today some of the big commercial banks are regretting deeply their decisions to chase aggressively after the market for medium and longer term fixed interest loans for central and local government.

The impact which these traditional strengths can have on the profits performance of the individual banking groups has been heavily undermined during the past two years of soaring interest rates. Thus, throughout 1980 and during much of 1981 the big commercial banks (with one or two notable exceptions - such as Deutsche Bank and Bayerische Vereinsbank) were struggling to maintain profitability in the face of sharp increases in interest rates, weakening corporate credit demand at home and narrowing profit margins

Banking sector	Business volume (DM bn)	Number of banks	Number of offices	Domestic lending (DM bn)		Domestic liabilities (DM bn)	
				To companies and public sector	To the public sector	Sight deposits	Time savings deposits
Commercial banks	578	240	6,155	277	54	276	78
of which big banks*	228	6	3,151	118	17	141	46
Landesbanks	418	12	324	142	98	73	3
Savings banks	555	598	17,571	318	61	450	258
Co-operatives	388	2,278	19,789	262	13	236	321
Mortgage banks	358	38	69	200	101	7	4
Branches of foreign banks	52	56	101	19	†	6	†

* Big banks are Deutsche Bank, Dresdner Bank, Commerzbank and their West Berlin subsidiaries. † Negligible.



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Customer's Deposits	25,066
Loans to Customers Outstanding	33,464
Capital and Reserves	1,682

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BfG: Bank für Gemeinwirtschaft

Kreditanstalt für Wiederaufbau

Highlights from the Balance Sheet as at December 31, 1981

Assets	DM million	Liabilities	DM million
Cash Reserves and Balances with Banks	2,252	Banking Liabilities	44,210
Securities	224	Promissory notes	1,100
Loans	47,609	Bonds	2,713
Participations	153	Provisions	134
Real estates and buildings	22	Capital	1,000
Unpaid Capital	850	Reserves	1,324
Loans on a trust basis	9,672	Loans on a trust basis	9,672
Other Assets	561	Other Liabilities	1,190
Total Assets	61,343	Total Liabilities	61,343

We shall be pleased to send you on request a copy of the Annual Report for 1981 together with a summary of Kreditanstalt's activities.

KfW Kreditanstalt für Wiederaufbau
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Dramatic recovery in earnings

AFTER TWO years during which the German commercial banks have been seeing their profits melt away and some of the major banks forced to cut - or, as in the case of Commerzbank, forgo - their dividends, the final months of 1981 brought not just relief but a dramatic recovery in earnings which has carried on into this year.

Commercial Banks - Domestic Market Shares (per cent)

	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	33.6	33.0	32.2	31.5	31.3	30.4
Loans to private individuals	28.9	27.2	26.6	25.7	23.5	22.3
Housing loans	9.4	11.0	11.9	13.2	13.2	12.8

† Affected by change in statistical basis. Source: Savings Banks Association.

Half-way through last year such an outcome seemed improbable. With the surge in interest rates following the Bundesbank's drastic steps to defend the D-mark in February, and with a shadow hanging over much of the banks' international operations, there were fears that 1981 was going to prove as bad as, or possibly even worse than 1980 in terms of earnings.

High capital market interest rates threatened the commercial banks with even bigger write-offs on their securities portfolios than in 1981. Moreover, although the banks had reacted quickly by raising interest rates to their customers sharply following the February tightening of monetary policy, credit demand was weakening and funding costs were up sharply too. At best it seemed the year might bring some modest widening of lending margins which would help offset the other problems.

In October, however, the picture began to brighten remarkably. In response to the startling recovery in the German current account and the strengthening of the D-mark against not just other European currencies but slowly too against the dollar, the Bundesbank began to ease short-term interest rates, which pulled long-term rates down in their wake.

By the end of the year the threat of further heavy write-offs on fixed interest securities had disappeared. Instead the banks - with varying degrees of success depending on how the experience of the past two years had encouraged or discouraged interest rate speculation - were seeing healthy profits on their bond trading portfolios and increasingly looking forward as well to swelling hidden reserves on the written down fixed interest securities in their portfolios.

At the same time the leisurely pace at which they reduced their lending rates to their customers - a policy which brought some veiled rebukes from the Bundesbank - meant that lending margins began to improve very substantially. Meanwhile, the income the banks were earning from advising and trading for their customers were boosting their commission earnings.

Commercial banks

Not all banks were, of course, profiting from these favourable trends to an equal extent. Commerzbank, still burdened with some DM 20bn of fixed interest loans from the past which were not profitable, was still unable to report a profit in its parent bank, while Dresdner Bank, also burdened with a big mismatched loan portfolio as well as close to DM 100m of gold trading losses, again had to cut its dividend.

The problems of international borrowers, particularly Poland, were forcing the banks to put aside large loan loss provisions (this burden will drag on for many banks). At home the bankruptcy wave was making its impact felt on the profit and loss account, alongside the continued write-downs for AEG-Telefunken.

The flexibility of German regulatory requirements has meant that the banks have been able to burden their profit and loss accounts with loan loss provisions to the extent that their profitability has permitted. Deutsche Bank, for

example, which once again emerged as the most consistently profitable of the commercial banks, added some DM 1.2bn to its published loan loss reserves and still boosted its net income by over a fifth. Less profitable banks are having to spread out their provisions against increased risks over coming years.

It is clear, too, however, that the banks are taking whatever opportunities they can to boost their equity capital base. Deutsche Bank's decision not to raise its dividend despite such a strong earnings gain, as well as its generous provisions policy, was one sign of this. Another was Dresdner Bank's decision again to cut its dividend.

Despite the past two years of profit problems there is no doubt that the commercial banks remain by far the most powerful single banking group in the Federal Republic. No other sector can truly claim universal banking status in the way the commercial banks can.

They have a powerful position in the retail market both in lending to individuals and in deposit taking - although, as with the other banking groups, high interest rates have made their depositors much more yield-conscious and thus made the management of the retail deposit base more complex.

Competition by the way means not just competition with other banks. It also means increased tension within the individual banks themselves between the banking division and the department responsible for advising clients to switch their savings into high interest securities issued by other borrowers such as the Government or even rival mortgage banks.

In the field of corporate lending the commercial bank remain the dominant force. Their position has been reinforced by the ready access they can offer their bigger German customers to cheaper Euromark financing as well as by their strong international operations.

At a time when German companies have had to concentrate increasingly on exports to keep up capacity utilisation during the domestic recession the international advisory and financing capacity of the commercial banks has been an invaluable marketing aid. Their traditional ties with the corporate sector through supervisory board memberships and shareholdings (even if a few of the banks have had to reduce these stakes here and there to boost profitability) help reinforce their position.

Despite the breadth of resources the commercial banks boast as a group, however, one of the legacies of the domestic and international problems they have faced in the past two years - and continue to face - is that they are no longer the homogenous group they once were.

Deutsche Bank has strongly reinforced its position in the past two years against its big rivals Dresdner Bank and Commerzbank, both of which have suffered sharply declining profits. Bayerische Vereinsbank is challenging Commerzbank hard and expanding its domestic banking network nationally.

Although it is clear that all the German banks are putting much more emphasis on profitability and paying much more attention to generating more equity internally through retained profits, those that have weathered the storms of the past two years best will be able to be more aggressive in pursuit of new business than their rivals.

WEST GERMAN BANKING AND FINANCE III

High interest rates expose sector's weaknesses

"AFTER THE problems of the past few years I would agree that one of our main jobs is to improve our image and make sure we avoid major pitfalls in the future" was how one board member of a leading Landesbank recently described part of the challenge facing this sector.

Just how big a challenge that promises to be can be seen from the comment below by a board member of a major savings bank. The savings banks are nominally part of the same publicly-owned segment of the German banking industry. Both belong to the public, not the private, sector of the economy, with savings banks generally figuring among the owners of the regional Landesbank. But there is not much love lost between some of the bigger

savings banks and the Landesbanks. "They have no function which could not be done just as easily by one of the other banking groups" was the harsh judgment passed.

At root the Landesbanks act as liquidity managers for the savings banks and as mortgage banks and leasing houses for the local authorities in the regions where they operate. In the early 1970s attempts to break out of this mould, led by Westdeutsche Landesbank, led to one disaster after another among most of the leading Landesbanks, only the Bayerische Landesbank succeeded in avoiding trouble.

The high interest rate period of the past two years and the particular structure and functions of the Landesbanks have led to yet another critical

Landesbanks

phase for the sector. Worst hit, of course, was Westdeutsche Landesbank, which last year had to sell assets worth over DM 800m by digging deep into hidden reserves in order to avoid declaring a massive loss. The bank's owners have promised to put in fully DM 1.6m of new equity capital so as to provide a basis for further expansion after the problems of the past.

West LB's biggest problem was one shared by Dresdner Bank and Commerzbank, especially in the private sector. In the late 1970s it had invested in long-term loans at 7 and 8 per cent and found itself financing them in 1980 and 1981 with short-term funds costing at times over 12 per cent.

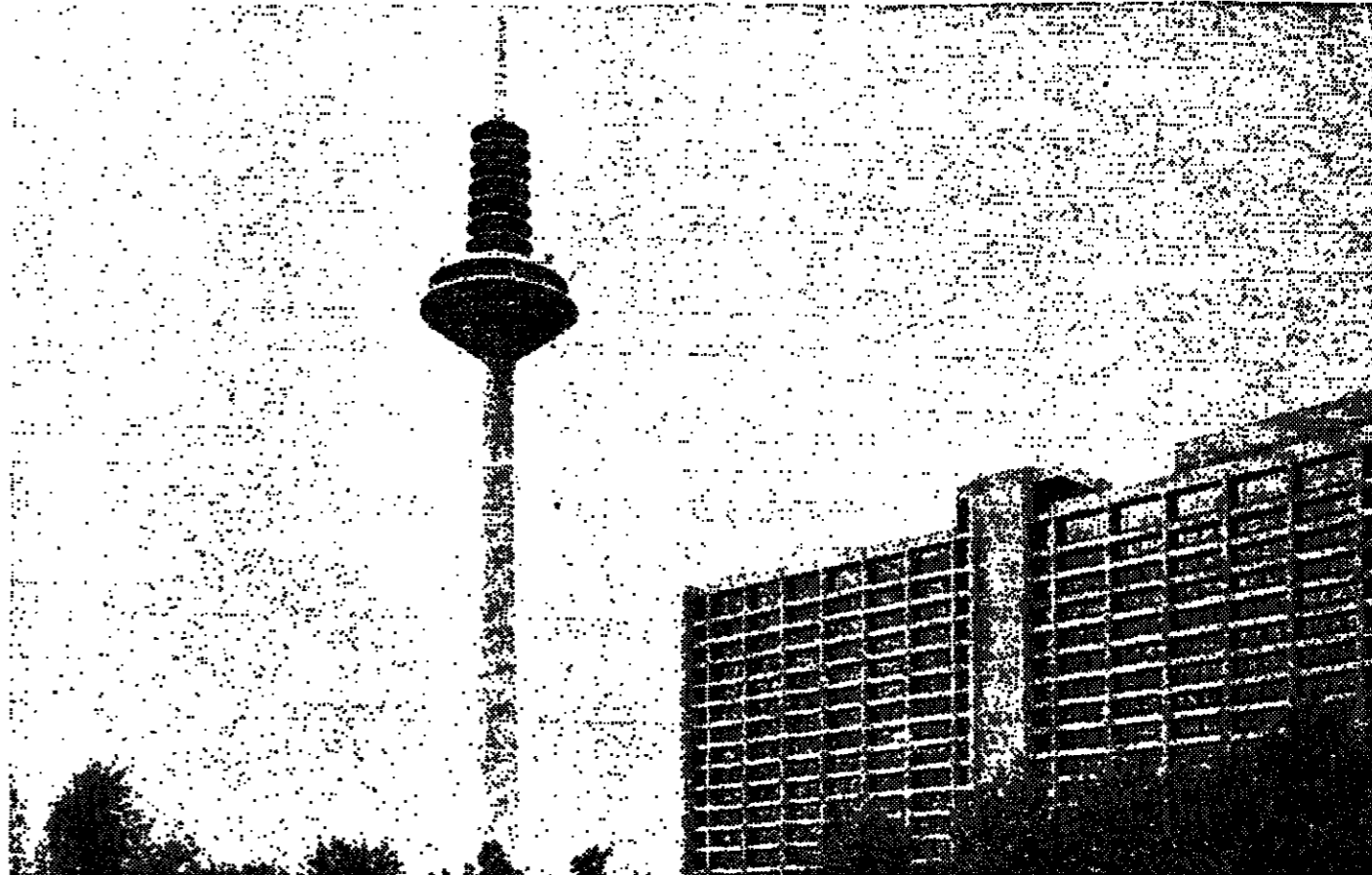
Landesbanks, without a cheap deposit base and acting essentially as issuing houses operating on paper thin margins, were particularly vulnerable to the unexpected period of high interest rates—and more particularly because of higher short-term than long-term rates. Even Hessische Landesbank, which had followed a very cautious policy and tried to avoid the mismatching of assets and liabilities through which the Landesbanks had made their best profits in a period of

falling interest rates in the past, could not avoid suffering from last year's unexpected surge in short rates. Bayerische Landesbank too had a tough year.

The sharp fall in rates in the past few months has substantially eased the problem. But the fundamental change in the interest rate landscape which has occurred in the past two years, with the German interest rate cycle apparently headed into a period of much less predictability and perhaps even volatility, promises to make life hard for Landesbanks in the future too.

They are countering the problem by paying much more attention to liability management, a solution which may avoid huge losses on mismatching but does nothing to solve the underlying problem of narrow margins and the lack of a broad business base in, for example, retail banking or the close ties which the commercial banks have with the corporate sector.

Some of the bigger commercial banks which have suffered in the past two years from their long-term fixed interest lending are hinting that this part of the corporate financing market is something they will happily leave to the Landesbanks in the future. But for the Landesbanks to play a big role here will require healthy injections of new equity capital to support volume growth—and capital promises to be in short supply.



The Bundesbank building and the television tower at Ginnheim

LANDESBANKS—DOMESTIC MARKET SHARE

(per cent)	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	15.5	15.4	15.0	14.3	14.3	14.1
Loans to private individuals	1.7	1.7	1.1	1.1	1.7	1.9
Housing loans	14.4	13.7	13.1	12.3	11.7	11.4†

† Affected by change in statistical basis. Source: Savings Banks Association.

THREE LARGEST LANDESBANKS IN 1981

	Total assets (DM bn)	Per cent change on year	Operating profit (DM m)	Per cent change on year	Interest surplus (DM m)	Per cent change on year	Net profit (DM m)	Per cent change on year
Westdeutsche	124.2	+8.0	726†	+78.0	653	-14.2	71	+16.0
Bayerische	90.8	+7.3	289	-14.1	514	-1.8	114	-1.5
Hessische	59.1	+8.5	40	-60.0	180	-2.0	45	-30.0

† Includes exceptional profit from asset sales.

Cautious guardian of the currency

WITH ITS decision on May 6 last to abandon the "special Lombard" system of providing short-term credit to the banking system, and to re-open the normal Lombard credit window, the Bundesbank (the central bank) signalled that it believes the end of an unprecedented period of monetary restraint in the Federal Republic is now approaching.

For over two years, beginning late in 1979, the German central bank had pursued a monetary policy aimed at maintaining the domestic and international stability of the German currency in the face of, for the Federal Republic, the unprecedented challenges of a soaring current account deficit, rising inflation and stratospheric American interest rates.

By the beginning of May it was becoming increasingly clear that the central bank's rigorous and persistent defence of the value of the currency was likely to achieve its objectives.

That the central bank itself recognises that there could still be some potentially treacherous currents ahead was demonstrated by its decision to peg the normal Lombard rate at the same 9 per cent level

It was against this background, with funds pouring out of the D-Mark and the currency plunging from around DM 1.80 to the dollar to over DM 2.20 and weak against other European currencies, that the central bank in February of last year finally moved aggressively to defend the currency.

The results of the decision to set a "special Lombard" rate of 12 per cent without any guarantee that funds would always be available at this level as the banks required became increasingly apparent as last year progressed.

The German economy, which was already slowing, has found itself locked in a period of stagnation. Real economic growth petered out in 1981 and unemployment doubled to almost 2m between the end of 1980 and the beginning of 1982. The overall economic performance masked a marked divergence between the development of the domestic economy, where real output declined by over 2 per cent, and the export sector, which has enjoyed boom conditions.

This combination was just what the Bundesbank needed for its damped down import demand while exports, helped by the weakness of the D-Mark against the dollar, surged. The current account deficit began to improve dramatically during 1981 falling from DM 30bn to DM 17bn. In the current year a current account surplus is confidently expected.

At the same time inflation, which peaked at an annual rate of 6.7 per cent in October of last year is widely expected to fall to 4 per cent by the end of the year.

A declining current account deficit, falling inflation and increasing scepticism in the international financial markets about the economic policies of the Reagan Administration have enabled the German authorities to achieve some "de-coupling" from U.S. interest rates which has allowed them steadily to ease German interest rates from the peaks seen in the middle of last year.

The process began in October when the Bundesbank cut the "special Lombard" rate for the first time from 12 per cent to 11 per cent. That move took place barely six weeks after the German currency had been quoted on the foreign exchange markets as low as DM 2.50 against the dollar. In subsequent months the central bank has steadily encouraged German rates down, "fine tuning" the domestic credit markets while successfully avoiding too rapid a relaxation of monetary policy which could have resulted in setbacks on both the international currency markets as well as the domestic credit markets.

The central bank's performance has underpinned its reputation in the international financial markets for independence and sound judgment. It has also enhanced the reputation of the central bank's president, Herr Karl-Otto Pöhl, who came into office at the beginning of 1980 amid suspicions that his ties with the Social Democratic Party might lead the Bundesbank in the direction of making too many political compromises. These fears have been laid to rest by the central bank's determined pursuit of policies aimed at stabilising the value of the D-Mark.

The central bank's critics continue to argue that it is moving too cautiously in view of the weakness of the domestic economy and the urgent need to halt the slump in capital investment spending which has gathered pace this year. Thus although the Bundesbank has made major strides in helping to ease the Federal Republic's external economic problems and the need to improve the underlying competitive capacity of the economy remain. These are problems over which the central bank's influence is much less pronounced, however.

Bundesbank

which ruled on February 19 last year. It was then that the dramatic decision was taken to introduce a "special Lombard" at 12 per cent, a move which within a couple of months helped to push up interest rates right across the maturity spectrum by around three percentage points.

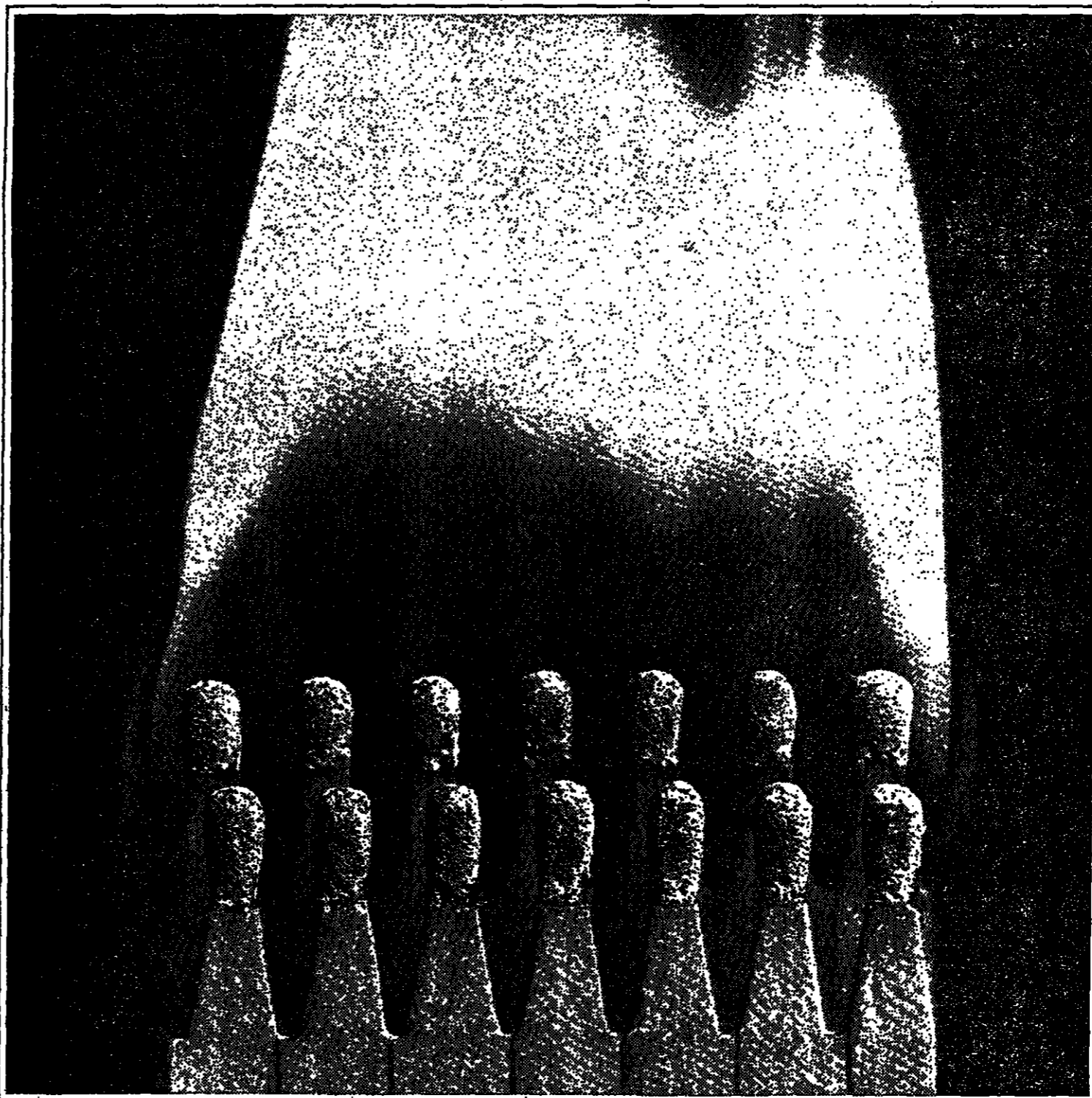
A 9 per cent Lombard rate, compared with the 9½ per cent special Lombard which it replaced, means that short-term interest rates are still at levels which cannot be described as heralding a period of easy money. Short-term funds are costing businessmen and consumers 12 to 15 per cent. Moreover, the central bank last month studiously avoided taking the step which many bankers wanted, namely a cut in minimum reserve requirements.

Such rates are, however, a long way down from the 15 to 19 per cent which short-term funds were costing in the middle of last year.

The Bundesbank began cautiously to tighten its monetary policy late in 1979 in response to fears that the economy might begin to overheat unless action was taken to rein it in. But it was not until a year later, after the central bank had (as it turned out) falsely signalled a shift towards cheaper credit in September of 1980, that the domestic and international crisis which eventually forced it to abruptly alter course began to gather pace.

It was in part this false step, interpreted in the financial markets as a sign that the German authorities were underestimating the challenge they faced, which began to erode confidence in the German currency. Underlying economic developments were, however, pointing in the same direction.

By late 1980 it was clear that the German economy was plunging towards a world record current account deficit of DM 30bn and that inflation, although easing from its early summer levels of 6 per cent, was showing no signs of abating. Political pressures too were working against the German currency. The mounting crisis in Poland coupled with the election of Ronald Reagan as American President were both working in the direction of attracting funds into the dollar and persistent high U.S. interest rates were reinforcing the dollar's pull.



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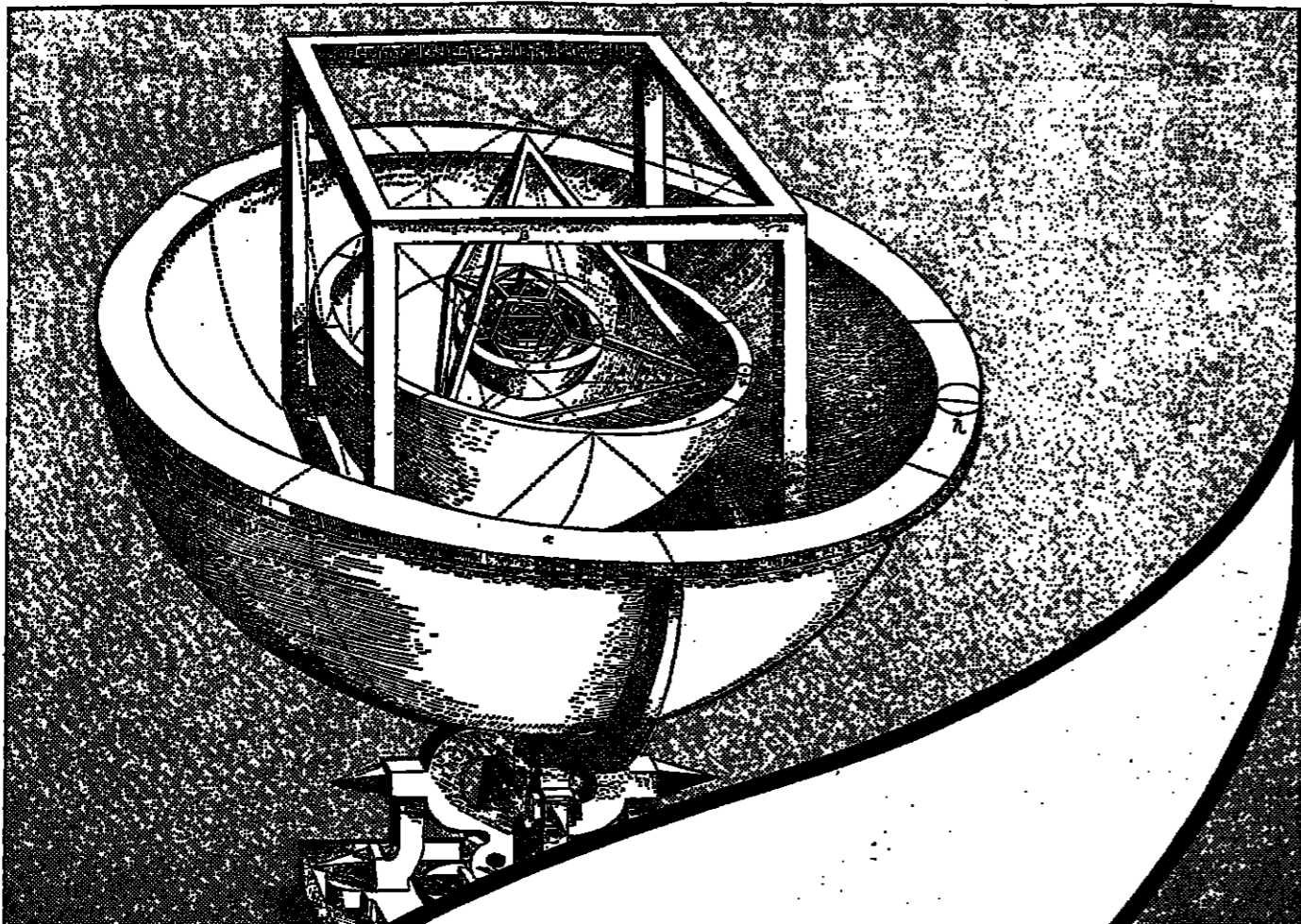
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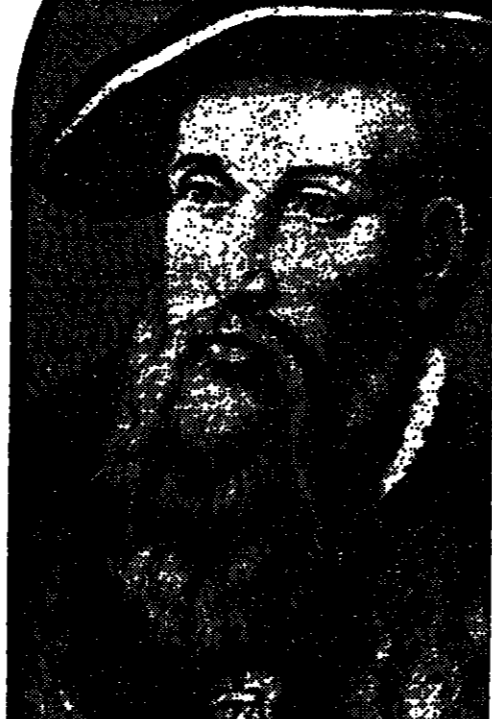
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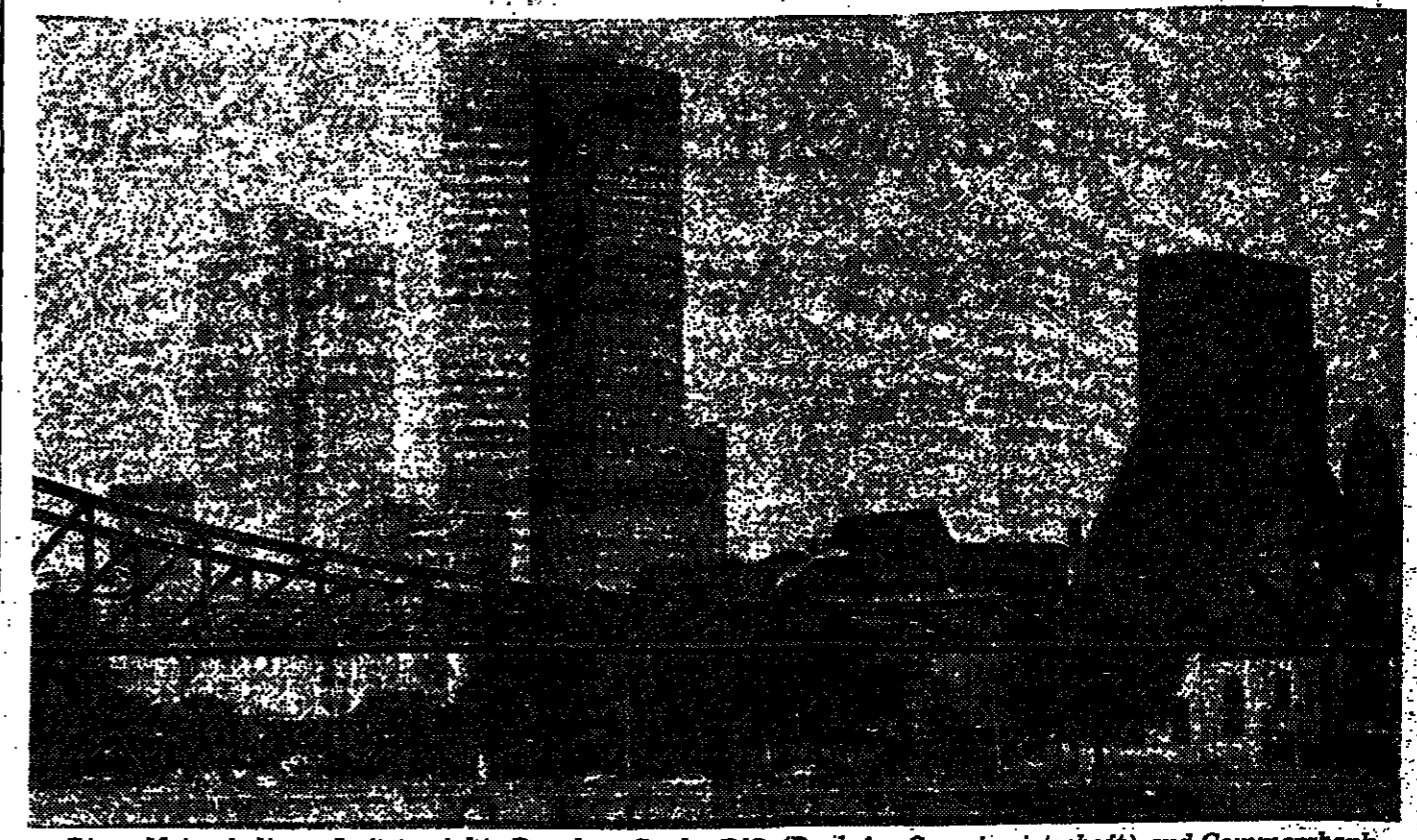
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WEST GERMAN BANKING AND FINANCE IV



River Main skyline. Left to right: Dresdner Bank, BfG (Bank für Gemeinwirtschaft) and Commerzbank

Aggressive moves to defend market strongpoints

"OUR TOP priority is to defend our market position" is how one leading savings banker described the business strategy of the savings banks, the second most powerful banking group in West Germany.

He might have added that tactically the savings banks have decided that the best form of defence is attack, for they are certainly not waiting to find out where their competitors will strike next. Instead they are out pursuing their own initiatives and hoping to keep their rivals off balance.

In the field of electronic banking, for example, they have moved ahead aggressively and will by the end of the year have around 700 cash dispensers in operation, far more than any of their rivals. All of them can be operated by the ubiquitous "Eurochequecard" which will be the foundation of the German banking industry's paperless payments system of the future.

Symbolically too the savings banks have been making the point that in the market where they are the strongest force, the retail or consumer banking sector, they are no longer prepared to tag along as second fiddle to the former pace-maker Dr Eckart van Hooven of Deutsche Bank, the man whose vision and energy have helped to pull both Germany's and Europe's retail bankers closer together.

Thus in the field of payments

systems the savings banks destroyed part of Dr van Hooven's plans by going it alone in the field of travellers' cheques with American Express. And it is Herr Wolfgang Starke, general manager of the Savings Banks Association in Bonn, who is slated to become chairman of the new Common Payment Systems Company embracing the major banking groups in the retail banking market.

But perhaps the most controversial move, and one openly opposed not only by the rival banking sectors but also by the bank regulators, is the suggestion that savings banks should be allowed to count the guarantee from their owner, the local governments in the areas where they operate, as equity capital to the extent of 20 per cent. This move, which is being pursued in Bonn, would increase the savings' banks lending capacity under German banking law by perhaps DM 70bn to DM-80bn, a change which could tilt the competitive balance in the savings banks' favour.

The arguments the savings banks put up to support their case include the need to compensate for disadvantages the savings banks suffer from their basic structure and also to compensate for inequalities resulting from the corporation tax system and in comparison with the co-operative banks.

They point out, for example,

that because they pay no dividends the two-tier corporation tax system works against them; that because they are local authority owned, and local authorities in Germany are stretched for cash these days, they are dependent on retained

Savings banks

earnings for increasing their capital and cannot go to shareholders for funds like the commercial banks; and they draw attention to the restrictions they suffer in terms of having to back their loans with collateral and in terms of being unable to provide full international banking services including foreign exchange operations.

In theory the latter services are provided by the Landesbanks, which are part owned by the savings banks. In practice the relationships between the savings banks and Landesbanks are so often strained that co-operation is but a distant dream.

Pity for the predicament of the savings banks has its bounds, however. At least on the Bundesbank figures they have been increasing their market shares in most of the

major lending sectors in recent years and have become increasingly dominant in lending to the private market.

They have also weathered the recent period of high interest rates rather better than some of their rivals — the co-operative banks included. Lending margins 1981 for the savings banks a group increased from 2.5 per cent of total assets to 3.5 per cent for example, reflecting the advantages of the dominant position of the savings banks in the market for cheap banking deposits and the high lending rates of new businesses.

The period of high interest rates and the growing interest rate consciousness among depositors that this has produced is of course a clear warning to the savings banks: times are changing. Last year saw virtually no growth in cheap savings deposits; he modest increase that there was was due to the accumulation of interest payments on existing deposits not new savings. With all banks paying more attention to liquidity management competition for cheap deposits has increased and will continue to increase.

Overall, however, with ownership of around 40 per cent of the banking offices in the Federal Republic and with over half the Eurocheque cards issued by savings banks they are well placed to maintain their dominant position in their traditional retail banking market.

Holding their own in the market for corporate business now that the big commercial banks have set their hearts on winning a bigger share of the medium-sized company market promises to be a much tougher task.

SAVINGS BANKS—DOMESTIC MARKET SHARE

(per cent)	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	18.9	19.2	19.6	20.7	21.9	22.5
Loans to private individuals	32.0	34.0	35.4	36.1	37.2	37.5
Housing loans	27.9	27.6	27.9	28.4	28.7	27.5†

† Affected by change in statistical basis.

Source: Savings Banks Association.

Countrywide roots prove source of dynamic growth

A LOOSELY bound network of some 4,000 individual banks has in the past 20 years emerged as the most dynamic banking group in West Germany. This is the co-operative banks.

With their roots back in the "self-help" societies of the last century, the co-operative banks have a long history, but it is only in the post-war period, and particularly since the merger of the two co-operative banking associations, the Volksbanken and the Raiffeisenbanken, that the co-operative banks have been able to make the most of their advantages and increase their market share, at the expense especially of the savings banks.

Thus today the co-operative banks can claim a market share of the Federal Republic's banking sector of around fifteen per cent (DM388bn) measured in terms of total assets. This compares with around 8 per cent in 1971, when the balance sheet volume was DM22bn.

One of the clues to the growth of the co-operative banks is the number of branches they have. With almost 20,000 offices and branches throughout the country they are by far the strongest banking group.

The number of offices the co-operative banks operate is one of the factors which gives them a closeness to their customers which probably no other banking group can match, for alongside the branch network is the added factor that each of the 4,000 independent credit co-operatives is owned by its members and has a supervisory board made up of the membership. In the past

20 years the membership of credit co-operatives has doubled from 4m to 9m.

This membership is the original source of the banks' equity capital, and here lies one of the contentious issues of the day. For in addition to paying in capital the member guarantees to meet a call for new capital up to a certain level should the credit co-operative get into difficulties. A proportion of this uncalled capital is, under German banking law, counted under the regulations

Co-operative banks

setting out how big a loan book a bank can have as a multiple of its equity—a concession which the savings banks say gives the credit co-operatives an unfair advantage.

In the mid-1970s it was agreed that the credit co-operatives could expand their business to non-members and that too has helped their growth. But alongside the nearness to their customers and the ability therefore to make quick decisions and adjust rapidly to market

conditions, the co-operative banking sector has also been expanding its range of services. Where a relatively small co-operative bank (the average total assets of individual co-operatives is only around DM 70m) lacks the expertise to provide a service, other parts of the co-operative sector will often be able to help.

As well as helping to manage the liquidity of the co-operative banks and the nine central institutions of the sector, the D-G Bank in Frankfurt, the central banking institution of the co-operative banking sector with assets of DM 65bn, has developed into a universal bank itself, helping to provide international banking services for the co-ops. The co-operative movement also has its own building society, the Bausparkasse Schwäbisch Hall, and insurance company.

Another factor which has undoubtedly contributed to the market strength of the co-operative banks is the improvement in management. In 1957 there were 11,795 individual co-operatives compared with the 4,000 of today. Mergers and greater emphasis on training and management have enabled the sector to work more effectively. So too has the merger of the two sectors, since initially one segment of the co-operative

sector was identified mostly with the farming community, the other more with the towns.

The substantial—15 per cent—share of the total banking market which the co-operative sector has won should not however mislead the observer into thinking that the co-operative banks are as broadly based as their competitors. Their strength is undoubtedly in the personal lending market and in loans to the self-employed, including farmers. This has been a big advantage in recent years. The explanation for the 42 per cent increase in the sector's operating earnings in 1980 at a time when most banks were suffering plunging profits and for the growth and profitability recorded in 1981 lies in part in their customer base.

The co-operative banks have around a 25 per cent market share of cheap savings deposits but they lend their funds generally short-term at floating interest rates—a structure which has brought fat profits during the high interest rate period of the past two years. One statistical point needs to be added, namely that the Bundesbank's figures for profitability abstract the D-G Bank and the central banking institutions of the co-operative sector, which have been labouring under the burden of high interest rates.

CO-OPERATIVE BANKS—DOMESTIC MARKET SHARE

(per cent)	1976	1977	1978	1979	1980	1981
Loans to companies and self-employed	13.8	14.2	15.1	16.1	16.9	17.3
Loans to private individuals	22.1	22.6	23.5	24.2	24.3	24.5
Housing loans	10.4	11.1	11.8	12.5	13.1	13.2†

† Affected by change in statistical basis.

Source: Savings Banks Association.

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Stock markets need to play bigger role in equity finance

IT WOULD be very dangerous if the German banking industry and official capital market policy were to come to accept the narrowness and low capacity of the German share market. This view is stated bluntly in the latest annual report of the Bundesbank, the West German central bank, highlights one of the longest lasting problems facing the country's financial markets—namely, how can West German stock exchanges become as efficient as the share markets of other major industrial countries.

A comparison with most other leading industrialised countries shows the West German stock exchanges play a minor role in supplying the risk capital urgently needed by the private sector, a fact reflected in the dangerously low level of companies' equity financing.

As the Bundesbank makes clear, the long apparent contraction of German enterprises' capital base and their inadequate protection against risks are ominous developments. "It must be emphasised that the capital obtained through the market by issuing shares is not an adequate counterweight to the low level of capital formed by retaining profits."

Despite the ability of some industrial sectors to compensate

for falling domestic demand through higher export business, corporate profitability generally has been under heavy pressure in the last two years, falling by 25 per cent in real terms. Prices in the share market were particularly depressed last year by the deterioration in profitability in many sectors of the economy up to the summer.

In recent weeks the stock markets have been surprised by some cuts in dividends which have resulted from last year's difficult trading conditions. For instance, Continental Gummi Werke, the country's leading tyre producer, recently announced that it would have to omit a dividend payment altogether for 1981, after suffering a major fall in profits and barely breaking even last year. The lack of a dividend came as a particular disappointment after Continental had resumed payments in 1980 for the first time in eight years.

Other companies forced by dwindling profits to cut dividends in recent weeks include Frank, Herten, the country's fourth largest stores group, which has been hard hit by the decline in retail expenditure, Brown Boveri, the electrical engineering group, Kall and Salz, the chemicals concern, and Varta, the world's third largest producer of batteries. With fall-

ing dividends too at Volkswagen and BMW, no dividend for the second year running at Commerzbank and a further cut at Dresdner Bank following the dividend reduction of 1980, the misery of squeezed profit margins has been spread over many sectors.

It would be wrong to see a picture of unrelied gloom, however, despite the inclusion of several illustrious names in the list of companies cutting payments to shareholders. Of the first 200 companies making dividend announcements for 1981, 129 held payments unchanged, 31 raised dividends and 40 were forced to reduce payments. Given the stubbornly continuing recession the picture might have been far bleaker.

In the first four months of this year the West German stock market has in fact mounted a strong rally—to the surprise of many observers—although it retreated again into a period of quieter consolidation during the past month. The index of the Frankfurter Allgemeine Zeitung reached a peak for the year in early April of 239.45 compared with a low in mid-January of 218.55. The market reached a peak last year in July of 243.47 after a low in early February of 215.75.

In the space of seven weeks from late January to early

March this year German share prices advanced by a healthy 7 per cent, bringing a new air of confidence to the country's stock exchanges even though in a longer perspective there is still much ground to make up before historical peaks are reached again. Share prices at their best this year have still

it does indeed indicate that the German equity market is able to shrug off the international consensus. Intervening periods of consolidation apart, we expect this trend to continue.

By the beginning of June share prices had fallen about 4 per cent below the early April peak, with nearly all sectors suffering setbacks, and it remains to be seen whether the loss of interest is only a temporary period of consolidation or whether it forebodes a longer period of retrenchment.

The main reasons for the recent relative lack of enthusiasm appear to be an upsurge in profit-taking, international tensions—particularly in the Falkland Islands and in the Middle East—and the continuing attractiveness of certain sectors of the bond market.

More promising signs for the West German economy do not yet appear to be strong enough to support a sustained recovery in share prices, although factors such as falling interest rates, slowing growth in inflation and the dramatic improvement in the country's external position, with the virtual disappearance of the last two years' massive current account deficit, did help the rally in the spring.

The country is still suffering

from a split economy, however, with companies dependent chiefly on domestic demand still suffering from falling or stagnating sales and new orders, while companies in strong export sectors have been able to compensate for falling domestic orders by selling more strongly abroad.

Last year, whenever there was a rally in the German stock markets, it was generally inspired by foreign investors, whose net purchases of equities and mutual fund shares totalled some DM 2.2bn in 1981, or more than three times as much as in 1980.

Interest has been particularly strong from certain key Middle East investors and there have been persistent rumours that Kuwaiti interests have now assembled a holding of around 25 per cent in Hoechst, West Germany's largest chemicals company and the largest pharmaceutical company in the world.

Interest in German equities from the Middle East in the early 1970s forced several major companies to introduce limitations on voting rights. In the meantime Kuwait has built up significant interests in companies such as Daimler-Benz.

Kort Stahl, Volkswagen do little to overcome the basic weakness of the share markets as a source of risk capital, however. As the Bundesbank points out: "In view of the medium-term tasks ahead of it the German business community urgently needs an efficient market for risk capital. Every effort should be made to render the German share market so attractive to enterprises seeking capital and security buyers interested in equities that, in the long run, it will become as efficient as the share markets of other major industrial countries."

According to the West German central bank such measures should include the public limited company under company and tax law with the aim of making this form of organisation more attractive also to medium-sized and smaller firms. The banks too are called on to make it easier for enterprises to approach the stock exchange. It would be incorrect to assume that there is a lack of risk capital in Germany, says the Bundesbank, "but tax concessions and supposed or real advantages presented by other forms of organisation quite frequently direct such capital into economically dubious channels."

Risk capital

KEVIN DONE

been nearly 17 per cent lower than in the autumn of 1978, the highest point in the post-war period, and they were still 4 per cent below last year's high.

The recovery in the early months of this year in share prices came all the more surprisingly as German stocks appeared to be bucking the trends of other major international markets. According to the Hamburg-based Vereins- und West Bank the rally was "in striking contrast to the trend in certain other world markets, such as the U.S., Canada and Japan, where prices have been easing for quite some time, and

Essential commitment to a world presence

AT THE end of 1974 the foreign agencies of West German banks had a business volume of DM 1bn. At the end of last year the figure had risen to DM 120bn. This rapid growth is a partial indicator of the extraordinary growth of the German banks overseas—partial because the data exclude the business of the foreign subsidiaries in places such as Luxembourg where a large part of the German banks' foreign expansion has taken place free from the constraints of German banking law.

The commitment of the German banking industry abroad heavily concentrated, moreover, on a relatively few major institutions—in the main the big commercial banks. Thus the savings banks, the single largest banking sector, must carry out the bulk of their foreign operations through the Landesbank which they partly own. The cooperative banking sector is dependent on its "central bank," the DG Bank in Frankfurt, for much of the foreign business services it can offer.

Thus it is a relatively small number of the biggest and most powerful banks—commercial banks such as Deutsche Bank and Landesbanken such as Westdeutsche Landesbank—which are the flag carriers for the German banking industry abroad. Deutsche Bank for example, which as a group has total assets of around DM 196bn, the single largest of all German banks, has the most extensive network of branches and subsidiaries all over the world, providing sound solutions for complex financial problems.

The 19,700 domestic banking offices of our system—the most extensive network in the Federal Republic of Germany—virtually blanket the

entire country, providing access to a cross-section of the German economy. On the other hand, we are accessible through branches, subsidiaries and representative offices in the centres of international commerce and finance.

Thus we combine the financial muscle and the market penetration of a strong system with the flexibility, special expertise and fast decision-making process of a wholesale commercial and investment bank.

That's what we mean when we say that our strength has many roots.

petitors from the U.S., the UK and Japan, for example, are operating around the world and looking for customers too in the Federal Republic itself, the major German banks cannot afford to limit themselves and the range of services they offer just to their domestic market or they will risk losing part of that, too. Like other international banks they must also be in a position to tap the different international funding centres—New York, Hong Kong or London—and especially at a time when major

attractive markets such as the U.S. That said, they have also become painfully aware that too uncritical a pursuit of growth in foreign markets, even with the justification that they are carrying out their patriotic duty and supporting German exports, is foolhardy. Above all, the economic and political crisis in Poland and the repercussions in the rest of Eastern Europe have convinced many German bankers of the dangers when making lending decisions of relying too heavily on comforting theories and warm feelings of pride in serving both country and customer.

The German banks are, quite simply, disproportionately committed to the East Bloc, with, for example, one-fifth of Poland's debt on their books. The provisions which they are having to put aside against this risk will burden their profit and loss accounts for several years to come. This helps explain why German banks have cut back drastically their East Bloc lending, restricting it to short-term trade finance through letters of credit, even though some of their industrial customers have been heavily dependent on East Bloc trade.

There is thus unanimity that the days of untrammelled growth in international markets are over for the German banks, as their declining role in the syndicated Eurocredit market

shows. The problems the Soviet Union has had and continues to have getting new credits from German banks and the switch in East Bloc lending to short-term financing are one sign of this. The fact, as a result of the Falklands crisis, that some German exporters are finding it hard to raise finance for exports to Brazil, is another.

In the background too, of course, is the fact that the banks themselves are expecting, as a result of proposed banking law reforms, soon to be required to back their foreign business with more capital. As the much increased loan loss provisions and write-offs in the German banks' balance sheets show, the banks themselves are much more aware of the need to have a thick equity capital cushion in order to cope with the added risks in international markets.

There is no question of the leading German banks pulling back from international markets. On the contrary more and more of the smaller institutions are having to set up overseas operations or strengthen them in order to finance their domestic customers. But there is a much more cautious assessment of risk and profit, partly as a result of the weak earnings of the banks in the past two years and a much more careful judgment of where and how to expand abroad. In this respect even more attention is being paid to the North American and Pacific Basin markets.

International business

STEWART FLEMING

multi-national companies are putting so much effort into foreign exchange business, be in a position to provide such services worldwide.

But above all the German banks feel themselves committed to international operations because of the heavy export orientation of German industry and because of the opportunities presented by the direct investments which their corporate customers at home have made and are making abroad, especially in the most

ALUBAF GROUP

1981 HIGHLIGHTS

- Total Footings
- World Trade Transactions
- Syndicated Loans Volume
- Money Market Turnover

The Largest Arab and International Group with worldwide Banking Operations

\$ 132 billion
\$ 8 billion
\$ 35 billion
\$ 200 billion

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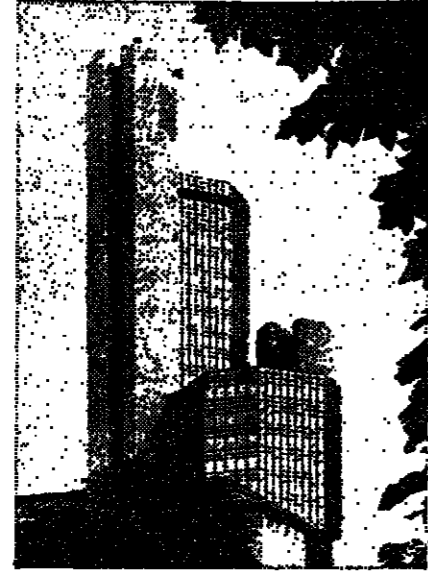
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WEST GERMAN BANKING AND FINANCE VI



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Progress Report 1981
Hessische Landesbank - Girozentrale -
**Achievements
in a trying year**



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Tx.: 415 291-0

Financial Highlights

December 31	1979	1980	1981
	DM million		
Business Volume	51,843	57,195	61,980
Balance sheet total	49,150	54,427	59,063
Total credit volume	41,420	45,542	48,986
Short-term assets	10,133	11,806	15,513
Due from banks	7,700	7,683	9,200
Due from customers	2,433	4,123	6,313
Long-term lending	25,865	27,466	27,865
Lending to banks	3,719	4,192	4,517
Lending to customers	22,146	23,274	23,348
Short-term liabilities	10,312	13,447	16,573
Long-term liabilities	6,847	7,262	6,626
Bonds issued	21,248	22,354	23,747
Capital and reserves	1,086	1,151	1,196

Helaba Frankfurt
Hessische Landesbank - Girozentrale -

Long struggle in search of
a unified approach

AT FIRST glance there appears to be agreement among West German bankers on the need for a unified approach to the rapidly growing business of payment systems — cheques, travellers' cheques, plastic cards and the electronic transfer of funds.

This agreement, however, exists only on the surface. The reality is that German savings banks, commercial and co-operative banks have achieved a fragile consensus on the need to co-operate in developing a nationwide payments system for the 1980s.

Behind the superficial agreements setting up a new Common Payment Systems Company is a history of struggle and conflict among leading personalities in German retail banking.

What is at stake? The debate concerns the development of a mass card payment and cash dispenser system for German consumers, to be based upon the 15m Eurocheque guarantee cards in circulation. In addition there is the question of Eurocard, the upmarket travel and entertainment card which is Europe's answer to American Express.

There is also the tangled question of travellers' cheques, with Amex and Thomas Cook working to lure different segments of the German banking community into their networks. Beyond these exists a nearly-unanimous enmity toward Visa, the U.S.-based payment system group which is seeking to penetrate the German market with Visa cards issued by a Bank of America office in Frankfurt.

Eurocheque is the successful multi-currency cheque fathered partly by Dr Eckart van Hooven of Deutsche Bank. Last year Germans travelled abroad and wrote more than DM 300m of Eurocheques in foreign currencies. But the system is paper-based and most bankers agree that in future paper systems will prove too costly and less efficient than the new electronic technology which is revolutionising retail banking around the world.

As a result, German bankers are planning to develop the 15m Eurocheque guarantee cards into a new system, a plastic cheque or debit card. The cards are being equipped with magnetic stripes which will enable them to be used in point-of-sale terminals in large department stores such as Hertie or Kaufhof.

Eventually, a customer will be able to use the Eurocheque card to make a purchase and the amount will be debited automatically from the bank account. The paper cheques will still be required, however, for smaller shops.

The Eurocard is an upmarket piece of plastic, linked into the MasterCard International system of 3m merchant outlets around the world. This loss-making German card system last year accounted for DM 1bn of sales turnover; there are nearly 200,000 cards in circulation.

The Eurocheque and Eurocard are two of the three elements of a system which German bankers hoped to put together in a new Common Payment Systems Company. But a series of disagreements between the savings and commercial banks has forced the bankers to discard the idea of unity on travellers' cheques, the third leg.

The discord concerning travellers' cheques, although not of earthshaking financial import, illustrates the problems which face the German banking community in co-operating on payment systems. The trouble started a few years ago when Dr Eckart van Hooven of Deutsche Bank garnered support for a plan creating a Europe-wide bank consortium to be called Euro-Travellers Cheque International (ETCI).

The idea was that ETCI would purchase Midland Bank's Thomas Cook subsidiary and form a new travellers' cheque system, ETC-Cook.

But American Express, the world market leader, succeeded in persuading the German savings banks their travellers' cheque interests would be better served by linking with Amex in a non-exclusive three-year sales agreement. With more than 50 per cent of the private bank customers in West Germany, the savings banks proved a powerful force.

Because the German market was regarded as the most attractive in Europe, the ETCI consortium plan fell apart last year when German banks failed

Payments systems
ALAN FRIEDMAN

to reach a consensus on travellers' cheques. A series of re-criminations followed, but the apparent political outcome was a strengthened voice for Herr Wolfgang Starke, general manager of the savings banks, and a shrinking power base for Dr van Hooven and the commercial banks.

Herr Starke will become company chairman with savings banks and commercial banks each taking a 40 per cent stake and the co-operative banks owning 20 per cent. A DM50m capital injection is planned and the new company will consist of the merged Eurocard and Eurocheque systems, but no travellers' cheques.

Now the savings banks and the co-operative banks have decided to sell Amex cheques. Deutsche Bank, meanwhile, plans to sell Thomas Cook cheques which carry two additional symbols—those of ETC and of MasterCard. The search for a Cook-ETC cheque was fraught with so many difficulties that when the product was finally launched on a go-it-alone basis by Cook it looked fairly confusing—three different symbols on one cheque.

At Herr Starke's office in Bonn, the view of the savings banks on German bank co-operation was made clear: "We want to co-operate where we can, but if we don't like the proposals, as in the travellers' cheque, we will go our own way."

The savings banks have already decided to instal 700 cash dispensers by the end of this year, a much larger number than the commercial banks are planning.

Cash dispensers reduce staff costs, which is much needed by savings banks employing several cashiers per branch. Commercial banks have only one cashier per branch.

Bankers close to the thinking of the savings banks suggest that although every attempt will be made to co-operate on cash dispensers, cards and other matters, the concept of one payment system in West Germany may break down in future. There is some resentment among senior savings bank executives at the predominant position carved out by Dr van Hooven.

In Frankfurt, Dr van Hooven sits back in his chair and smiles: "Starke is going with Amex. We are going with Thomas Cook and there is a common opinion among commercial banks in favour of Cook."

The crucial point, says van Hooven, is "whether we can be united in the payments industry over a common instrument." His hopes for the Eurocheque card as such an instrument are high.

Perhaps the one subject about which all bankers from Frankfurt to Bonn can agree is their

dislike of the Visa effort to penetrate Germany. The main reason for this hostility is the view that Visa cards represent a non-bank instrument which is inflationary and could siphon off precious personal funds from bank accounts.

Visa has failed to secure any German bank as an issuer of its card, despite years of trying. Instead, a staff of 75 Bank of America employees in downtown Frankfurt try to sell the card through direct-mail campaigns. B of A claims 50,000 cards in circulation.

But Visa's biggest mistake was its attempt to issue the Bank of America-backed cards through BMW, the German auto manufacturer. The idea was to tap the 60,000 BMW car owners as a market and issue them with plastic cards which had both Visa and BMW on the front.

Germany's top bankers pulled together on this matter and conducted a subtle campaign to block the BMW programme. As a result the BMW name will not appear on the cards and the scheme looks likely to fade; at present there are only a few hundred cards out.

On only one occasion did a German banker extend an olive branch publicly to Visa—last November Herr Starke approached Visa president De-Hock at a conference in London and offered to double the number of merchants accepting the Visa card in Germany if Hock would agree to stop trying to issue the card through German banks.

Mr Hock refused, saying this would contradict Visa policy. Some Visa-Starke discussions did ensue, but Herr Starke says it was "very difficult to co-

operate with Visa. They are very complicated people. We tried to come to an agreement between the Visa system and the German banking system," explains Herr Starke. "We don't think that will be possible."

Then, leaning forward and raising his voice, Herr Starke added: "I will say this to you on the record. This is my conviction: There is no possibility of dealing with Visa."

In Frankfurt, Dr van Hooven says he is not worried about the prospect of a Visa incursion. "The BMW programme did not work."

Mr Jim Haywood, B of A director of Visa (Germany), said there is "no question about it—it is a hostile market out there." Mr Haywood said Visa would become more aggressive, but he wished to avoid "becoming a source of irritation" to German banks.

Although he is new to the job, Mr Haywood said he was confident he could bring the B of A operation out of loss—there has been a capital expenditure of more than \$2m over the past two years. "I'll be quite candid with you. I haven't yet developed a strategy. My mission is to make a profit and develop a marketing programme."

The future of German payment systems thus looks to be a colourful one. It will be three to five years before a mass card system is developed and competition can be expected to increase. The most vital question is how the savings banks make use of their newly exercised power vis-a-vis the other banks. The line between co-operation and competition is a thin one indeed.

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هكذا من اجل

The authorities are set on reform of the Banking Law and in advance each sector has begun to plead its case

Much lobbying precedes day of reckoning

THE THREAT of legislative reform which could both curtail the growth and "artificially" distort the structure of competition hangs heavily over the German banking industry.

Although the commercial banks, which feel that they could be the main losers from new legislative initiatives, have been able to take advantage of the Government's political problems in Bonn and postpone until at the earliest next year new laws, the pressures for a fundamental reform of the Banking Law remain.

Both the regulatory agencies, the Federal Banking Office and the Bundesbank (the central bank) remain determined to press ahead with proposals aimed at requiring all banks to submit consolidated accounts against which the traditional formulas for establishing capital and liquidity ratios will be measured.

At the same time, however, the politically most powerful banking group, the savings banks, has been waging a spirited campaign in Bonn for a new regulation which would allow them to count the guarantees of their owners, the local authorities, as the equivalent of up to 20 per cent of their equity capital. Since equity capital is one of the measures according to which a bank can expand its lending (the maximum limit is that loans can be increased up to 18 times equity capital and

reserves), the implication of such a step would be a major expansion of the lending capacity of the savings banks. The 18 times rule is more complicated than it appears since, for example, loans to the German public sector do not need to be backed with equity.

But other banking groups are estimating that a "Haftungszuschlag" for the savings banks of this sort would increase their lending capacity by as much as DM 50bn. It is a prospect which does not appeal to the commercial banks or the co-operative banks (which already enjoy a similar but not identical privilege). The banking regulators are also against it.

When asked for their views about counting an owner's guarantee as if it were paid in equity they are apt to quote fondly former Finance Minister Hans Matthöfer's *bow mot* on the subject—"those who do not have money should not be in banking." But given the current political constellation there are few willing to predict that the savings banks' campaign will ultimately fail.

The prospect of a boost for the savings banks is not the only aspect of the current debate over banking legislation which worries other sectors of the industry.

It was after the collapse of Bankhaus Herstatt in 1974 that demands for banking reform

became insistent. Indeed in the wake of the bank's failure legislation was introduced aimed at plugging some of the most obvious loopholes—for example, in the regulation of foreign exchange trading.

In the mid-1970s however, the range of issues addressed by those seeking reform broadened to a more general critique of the power of the banking industry.

Law reform

STEWART FLEMING

try, particularly the commercial banking sector as a whole. There were demands that the banks should be forced to cut their vast equity holdings in major German companies, disclose more fully how they vote on behalf of shares of their customers held in trust and further restrict their participation on the supervisory boards of companies.

The economic crisis of the past two years and the fact that because of their need to draw on hidden reserves to boost their earnings some of the big banks have in any case disposed of big stakes in the largest (and therefore most visible) public companies has served to defuse this issue.

The latest draft legislation suggests that rather than making wholesale disposal of stakes in industry the banks should in future simply be required to back such holdings with their own equity capital.

But in the meantime more technical issues relating to bank regulation have come to the forefront. In the face of the evidence of mounting international lending risks—the catchwords Iran, Poland and Argentina on the one hand, and Braniff and Laker Airways on the other sum up the range of issues—the bank regulators have been pressing harder and harder for new laws. In part this pressure is a reflection of the acceptance by the central banks of the major industrial countries meeting under the auspices of the BIS in Basle that consolidated accounts are an essential foundation on which to base the regulation of an international bank.

In part too, however, it reflects the long-standing concern of the German bank supervisors that bank regulation in West Germany has not only lagged behind the rapid growth of the German banking industry's international operations in the late 1960s and 1970s but that the banks have deliberately sidestepped this regulatory framework in order to allow themselves to expand so quickly. Thus most of the big German

banks with international operations have subsidiaries in Luxembourg outside the control and the restrictions of the German banking law.

In the middle of last year the commercial and co-operative banks agreed to submit statistical information but without names of borrowers on a consolidated basis to the supervisors. It emerged that 17 of the 31 banks covered were not complying with the German banking regulations once the non-consolidated subsidiaries were brought in.

If non-consolidated domestic German subsidiaries such as partially owned mortgage banks are brought in, the degree to which some banks are over-gearing according to the eighteen times rule becomes more marked. Indeed there are even suggestions that a bank might prefer to reduce sharply its stake in a mortgage bank, and therefore the capital backing, rather than consolidate on a pro rata basis.

The over-commitment of one or two German banks to Poland or other East Bloc countries in particular provides one clue as to why the supervisors in Germany are anxious to have more detailed information about the lending of the institutions they oversee. In addition, however, the regulatory agencies are clearly anxious to see the German banking industry boost

significantly the equity capital supporting their business—one which must, because of the export orientation of the German economy, continue to be internationally directed.

Behind the argument, however, lies the fundamental philosophy that the regulatory authorities are not there to make judgments over individual credits or country risks. That is what the management is paid for in the eyes of the supervisors. There is clearly less need for supervisors to be tempted into this role if they are confident that the banks are not just adequately but generously supplied with capital.

The emphasis on equity capital base and fuller disclosure of information on lending leaves aside, however, another area which has worried the regulators, and rightly so, namely the issue of maturity transformation. The cost of liquidity and the mismatching of long-term loans and short-term funds has been the source of heavy losses for German banks in the past two years. The banks themselves have learned from this painful experience. The regulators, however, are evidently addressing the issue of whether they can draw up guidelines which would set limits to the extent to which banks could enter into this sort of mismatching. It is not clear yet what action will be taken.



Bank tower (Hessische Landesbank) and church towers juxtaposed in Frankfurt

PROFILE: AUGUST VON FINCK

Banker with a bent for brewing

HERR August von Finck, one of the richest men in West Germany, set under a tree on his estate near Munich and explained how you make a really good beer.

As he talked with a passion and knowledge evidently based on long study of the topic, one point above all became clear. It was not simply that the recent acquisition by the von Fincks (via the family holding company Agricola Verwaltungsgesellschaft) of a 90 per cent stake in Munich's Löwenbräu brewery made good financial sense. Löwenbräu after all owns a lot of property in Munich—West Germany's "secret capital" as it is often called. No, it was rather that Herr von Finck is fascinated by beer (the family already owns the Würzburger Hofbräu in Franconia), wants to turn out the best possible product and certainly has the money to indulge his hobby.

How much money does he have? Is it only DM 400— the figure one generally hears—or more than DM 5bn (a sum "tip" gleaned at a late hour in one of Herr von Finck's own beer cellars)? For leading members of the private bank Merck, Finck and Co. (senior partner August von Finck) the question is not only somewhat embarrassing but almost irrelevant.

What true value can one put, after all, on the 4,000 hectares (10,000 acres) of land in family ownership—much of it within half an hour's drive of the centre of Munich? If you could build flats or factories there the value would be astronomical. But construction is banned there by law—and even if it were not the von Fincks wouldn't like it, however much cash it brought in.

The truth, confirmed by an evening at which both August, aged 52, and his brother Wilhelm, aged 54, were present, is that the von Fincks not only have a tradition of wealth. They also have a remarkably unostentatious style which they gained from the father, August (senior) who died in 1980 at the age of 81.

August (senior), who collected supervisory board posts on enterprises of all descriptions rather as other men might collect stamps, used to arrive at the bank in Munich's elegant

Facellstrasse in a Volkswagen Beetle. If the truth be told he would have preferred neither to come to the bank nor to sit on boards, but to stay on the land. His passport gave his profession(s) as "farmer and banker"—and his heart belonged to the former.

Still, the duties he inherited from his father, Wilhelm, in 1924, could not be avoided. Wilhelm von Finck, who came from Hesse, was one of the legendary entrepreneurs of the second half of the 19th century, founding among other things the insurance companies Allianz Versicherung and Münchener Rückversicherung (the latter today thought to be the world's biggest reinsurance enterprise).

The house of von Finck still retains not only stakes in these concerns—and in the Hermes company specialising in export credit insurance—but in much else besides. For example, it has a share of 27 per cent in Hochtief, one of West Germany's top building companies, slices of the engineering enterprises Didier and Linde, a portion of the utility company Isar-Amperwerke... and so on.

As a private bank Merck, Finck (business volume over DM3bn) is not compelled to disclose its profits—but even if it were the family would clearly feel it had form to talk about the matter "In our business year 1981 we achieved a marked increase in the profits from our interest business." August von Finck remarked almost apologetically as he presented the annual report last month. Then, brightening up, he noted that Herr Adolf Kracht, formerly chairman of the Norddeutsche Landesbank, had recently joined Merck, Finck—a most welcome development since "for my brothers (there are three others) and myself there are, after all, only 24 hours in a day."

The assembled Press, gathered in a room with stained glass windows and decorated with antlers, made a few ritual efforts to extract more about profits, then retreated into the garden. There, close to the von Finck family church, the assembled company dined until a late hour by candlelight while Herr August discoursed on where you can eat well and inexpensively near Munich—and how you make really good beer!

PROFILE: WOLFGANG STARKE

Very much a man on the move

IF THERE is a new spring in Herr Wolfgang Starke's step it is probably because he is confident of his newly found power to influence the future of West German retail banking.

Herr Starke is general manager of the German Savings Bank Association and very much a man on the move. Before joining the Bonn-based savings bank organisation in 1976, he spent 18 years with Commerzbank. At the age of 46 he is one of the most energetic participants in the continuing debate over German payment systems.

To many observers the increasing dominant position of the savings banks, compared to that of the commercial or co-operative banks, is largely a result of the work of Herr Starke. He is credited with having helped to persuade the savings banks to pull out of plans to form a Europe-wide consortium to purchase the Thomas Cook travellers cheque business last year. Instead, the savings banks, with more than 50 per

cent of the private banking customers in Germany, threw their weight behind American Express.

The feathers are still flying in German banking circles and little love is lost between Herr Starke and some of his Frankfurt-based colleagues. But in political terms the savings banks are on top.

With 600 banks and 17,000 branches the savings banks are in a formidable position to influence the shape of the new Common Payment Systems Company being formed jointly by the savings, commercial and co-operative banks. As if to understore this influence Herr Starke will be appointed chairman of the new company this month.

"We want an evolution, not a revolution," declared Herr Starke not long ago. With the backing of German savings banks he means to pursue an orderly schedule of retail banking developments. The style deliberately is sober but no one should mistake the reticence for lack of will.

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THE FRENCH ECONOMY

Mitterrand's unpalatable choices

By David Housego in Paris

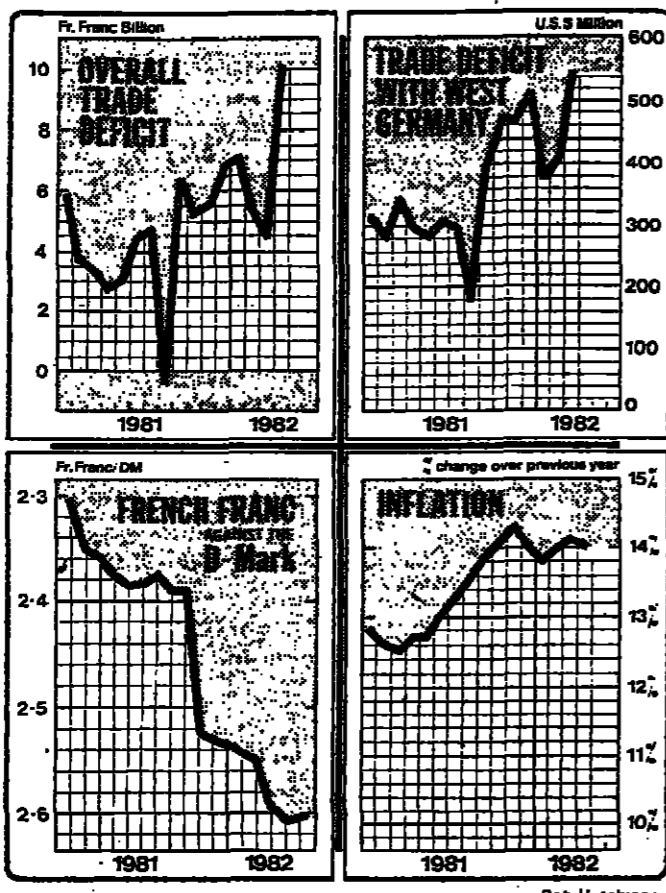
THERE IS proud and obstinate streak to Mitterrand's character. He is not a man who likes to be seen to be acting under duress...

But the gleam on which there has been haemorrhaging of France's foreign exchange reserves has greatly limited his room for manoeuvre. From FF 42bn before the Socialists took office in May last year, the Bank of France's disposable foreign exchange holdings had fallen to just over FF 18bn by May 19.

Nobody expects the President to announce a devaluation of the French franc within the European Monetary System when he holds the second Press conference of his Presidency today. But the occasion will be watched for indications of the stabilisation measures that will be needed if there are not to be repeated devaluations of the franc in the future...

French public opinion is at last in part prepared for the announcement of austerity measures. An opinion poll published at the weekend showed that 58 per cent would apparently welcome austerity—finding the cynics interpret this meaning that they would welcome it for the remaining 32 per cent of the population: the French will not lightly give up the still rising living standards that they continue to enjoy.

M Pierre Mauroy, the Prime Minister, who until recently has been an advocate of expansionist policies, indicated some days ago that this could not continue when he spoke of the need "to put a brake" on wage and price increases.



Bob Hutchinson

days ago that this could not continue when he spoke of the need "to put a brake" on wage and price increases. M Jacques Delors, the Finance Minister, has also again been preaching the need to cut back on social expenditures—warning that everybody must be prepared for sacrifices and that it was not yet time for "gathering the cherries".

Almost a lone voice against austerity—with its implication of a cut in living standards—has been the Communist Party and the Communist-led CGT trade union (the largest in the country). Others will no doubt add their voice to the chorus of complaint if they find the shoe is pinching them.

the concluding declaration of the Versailles economic summit. This linked the international monetary and exchange rate stability for which France is anxious to a greater convergence of economic performance among the major industrialised states. In other words Mitterrand can put the medicine he proposes in the context of internationally agreed goals.

For the pressures for a "change in gear" in economic policy do not only come from the weakness of the franc. They also stem from the related fact that France is now having to face up to the painful consequences of having pursued last year an expansionist economic policy at a time when her major trading partners were deflating. The unexpected extent to which France is out of step with other industrialised nations has badly thrown out of the Government's economic calculations.

Thus the French inflation rate of 13 per cent during the first four months of the year is a marginal improvement on last year but well above the single digit figures being achieved in the U.S., West Germany and Britain.

France's widening trade deficit reached a record FF 10.2bn in April as a result of the slowdown in exports due to the world recession and an increase in imports sucked in by the continued buoyancy of French consumer demand. The Government claims its EEC partners have gained on average the equivalent to 0.2 per cent a year of real GNP through the boost to imports caused by the relaxation of the French economy. The sharpest gain has been made by West Germany.

Indubitably the foreign exchange markets want to hear of expenditure cutbacks that go further than the bulk of the Socialist Party are prepared for. There is strong support within the Socialist Party for a price freeze and this is equally popular with the public at large as reflected in the opinion polls. M Delors has opposed it because (unless industry was excluded) it would further squeeze already depressed company profit margins.

He certainly had no wish to take unpalatable decisions at this stage in his administration. His strategy was to postpone austerity measures over budget expenditure or wages until after the municipal elections next spring. Mitterrand wanted to use these (as did the Communists) to reinforce his party's local electoral base.

also sensitive to the damage to France's prestige from the continuing weakness of the franc, the draining of the reserves and the danger of repeated devaluations.

A major priority continues to be to maintain the impetus of Socialist reforms and above all of long-term investment through the newly nationalised industries on which the Socialists pin their hopes for a restructuring and modernisation of French industry.

He has already announced that the budget deficit next year is to be held to 3 per cent of GNP. Tighter expenditure limits are being imposed on social welfare ministries. Indubitably the foreign exchange markets want to hear of expenditure cutbacks that go further than the bulk of the Socialist Party are prepared for.

But he has always been sensitive to accusations of Socialist mismanagement of the economy. M Mitterrand is

Unemployment

Getting beyond glib talk about the unwaged

By William Rodgers, MP

STANDING in the parlour of the Victorian terrace house I gave the obvious reply. "If the economy grows with more investment, there will be more jobs here."

To those of us who grew up in the Beveridge era, it is extraordinary. Full employment was the axiom of the free society. Now we are learning to live with 5m men and women on the dole.

No message of hope has reached Warrington from Versailles... we have begun to ask if work is the normal state

innovation? Or can we take comfort that Belgium is doing worse than us, and even the Japanese have problems?

The truth is many-layered. A more expansionist policy coupled with special employment measures might put 1m men and women back into jobs within two years, with further improvement after that.

the World. Out of Work (Collins, £2.50), gallops through these problems. We learn that in Europe as a whole, steel, textiles, cars and shipbuilding are in decline and that to be down and out in Lorraine is just as depressing as in Corby, or Krefeld.

So we have begun to ask ourselves whether work should be the normal state at all. Is it not better that we should be trained for leisure, with only our middle years devoted to earning?

The jargon of the Left has already accommodated to the change, pushing the work ethic back to its origins in religion and the rise of capitalism.

But neither is he convinced that the growth of the money supply and the size of the Public Sector Borrowing Requirement are the stuff of which prosperity is made.

On top, there is training for his children, so their higher skills will fit those jobs which are available in the anxious years ahead.

probably lose the will to work. In turn, the breakdown of law and order will destroy the respect for parliamentary democracy and representative institutions.

And yet, and yet... the largest rally that Britain has lately seen was organised by the Peace Movement, and was not about the unemployed.

Britain cannot be an oasis of employment in a world out of work. But it could be more concerned to make the desert bloom again.

But public perceptions of unemployment no longer require a euphemism to hide the affliction of the victim. There is no dishonour in being without a job.

William Rodgers is SDP MP for Teesside, Stockton.

Letters to the Editor

Inflation accounting: confusion confounded

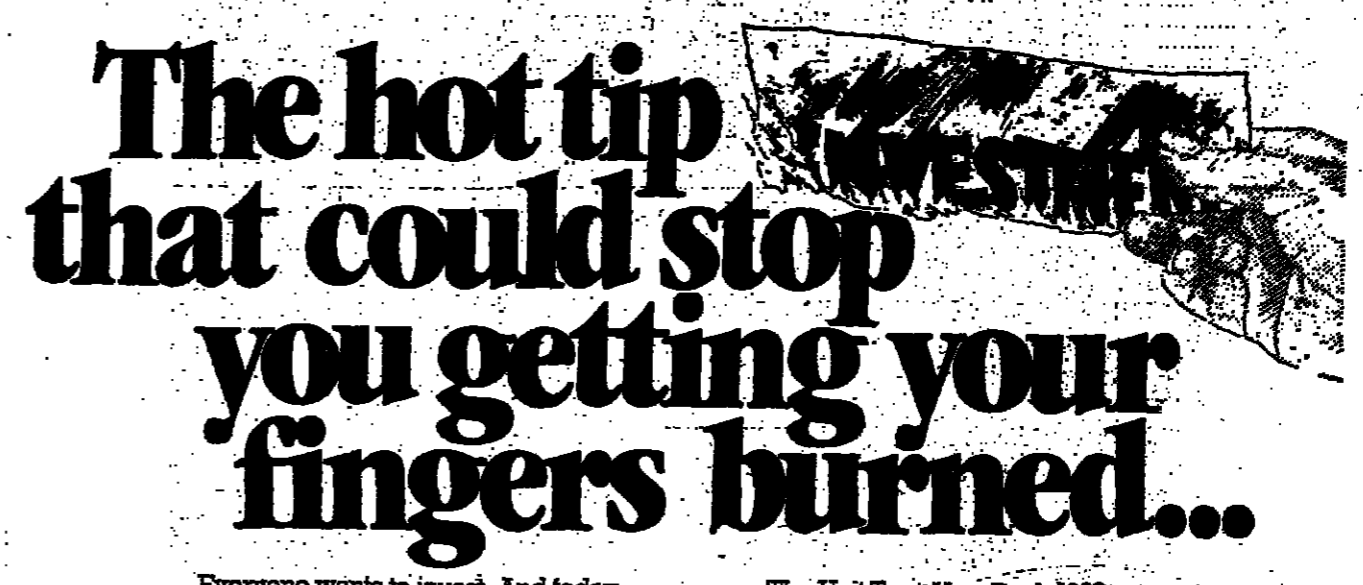
From Dr J. Giniari Sir—Regarding our correspondence column if (June 2) headed "Inflation accounting, cash flow and the Big 4," the lucid first letter from Professor Seydillon discussing the essential differences between general price inflation and specific price movement is somewhat overshadowed by the two succeeding letters in which confusion is totally unfounded.

Specifically what Mr Clayton appears to have done is to take the Big 4 current cost net assets of £9.3bn in 1981 and £7.2bn in 1980. The difference plus dividends and special levy totals £1.6bn, which he calls the bank's CCA profit "on the objective net assets basis."

as an accountant, he does not approve of current cost accounting, he has every right to represent his viewpoint within his profession and his institute is providing him with a platform for so doing on July 29.

A regime for the oceans

From Mr P. Farr Sir—Your editorial "A regime for the oceans" (June 1) is both timely and forceful. A reminder of the wide scope of the convention and of the importance of the agreements reached on all matters other than deep sea mining is much needed.



Advertisement for THE UNIT TRUST YEARBOOK 1982. Text includes: 'Everyone wants to invest. And today there's no shortage of means to do so. They range from antique silverware to traded options...' and 'The Unit Trust Year Book 1982 tabulates trusts with their performance figures over the past six years...' Includes an order form with fields for name, address, and payment details.

The textile industry From the Chairman, Textile Industry Support Campaign. Sir—Your report (June 4) on Hong Kong's textile industry highlights a very important point.

vival depends far more on the environment in which it operates than it does on the machinery with which it produces its goods.

investment is useless without protection is very pertinent and timely. Let us hope that it rouses our sleepy Whitehall mandarins from their slumbers before Britain's fourth largest industry disappears forever.

This is a longer term problem. P. J. Farr. O. W. Roskill Industrial Consultants. 2, Clapham Road, SW5.

UK COMPANY NEWS

Rotaprint rights to raise £1.3m

Rotaprint, printing and duplication equipment manufacturer, is raising a net £1.3m by way of a rights issue of 1,446,428 11p convertible redeemable preference shares of £1 each.

UK current forward order position for this product is better than it has been for four years. And directors are confident Rotaprint is well advanced in its recovery.

comment

Once upon a time Rotaprint was queen of the offset lithographic printing industry. Its quality machines, favoured by small printers ad in-house printing operations, had been sold world-wide for nearly 50 years when profits reached a peak in 1974 of £7.3m on sales of £7.3m.

Each preference share may be converted into 20 ordinary shares of 5p each during the years 1983-88. As the nominal value of the ordinary is currently 20p, a reduction of capital is proposed of 15p per share and to create a non-distributable reserve of the amount by which the capital has been reduced.

RHM acts to improve bread profitability

Ranks Hovis McDougall, the food group whose bread brands include Mother's Pride and Nimble in addition to Hovis, is taking urgent steps to improve the profitability of its bread-making businesses.

The group has hopes that new employment opportunities resulting from the Newcastle development will largely offset the loss of jobs at Gateshead and that many of the Gateshead employees will transfer to Newcastle.

The group has already announced that its Glasgow bakery is to be rebuilt over the next 18 months at an estimated cost of £11.5m, partly funded by a special grant from the Scottish Economic Planning Office.

Duckham swings back into the black

ALTHOUGH turnover at Alexander Duckham was little changed at £29.1m to £29.2m, this wholly-owned subsidiary of British Petroleum swung back into profit with a pre-tax figure of £1.3m for 1981. In the previous year the company incurred losses of £507,000.

£1.26m rise at Thomas Locker

PRE-TAX profits at Thomas Locker (Holdings) doubled from £1.1m to £2.36m in the year to March 31, 1982. The bulk of the increase came in the second half when profits advanced from £510,000 to £1.56m. Turnover of this screening and filtration engineer rose from £20.12m to £21.63m.

The final dividend is raised from 0.8125p to 0.92p for an increased total of 1.17p against 1.0625p. Trading profits improved from £1.23m to £2.55m, and the pre-tax figure was struck after associate company's losses of £187,000 (£131,000). There was a tax charge of £1.35m against £480,000. After minority debits totalled £154,000 (£112,000 credits) and extraordinary debits £56,000 (£167,000), being the cost of re-structuring. Stated earnings per 5p share were 2.14p against 1.85p.

Wormalds Walker losses increase to £340,628

CONTINUING WEAKNESS in demand was stated by the directors of Wormalds Walker Atkinsons, woollen textile manufacturer, as being reflected in increased losses from £223,756 to £340,628 for the year to February 27, 1982.

The weak demand for certain of the group's products is a result of world recession, say the directors, which has particularly affected sections of the UK textile industry. Turnover slipped from £3.07m to £2.19m. At the interim stage pre-tax losses rose from £83,726 to £126,975.

Carr's Milling rises despite tight margins

COMPETITIVE pressures kept margins tight, say the directors at Carr's Milling Industries after figures for the first six months showed a rise in pre-tax profits from £480,000 to £578,000. Sales for the 27 weeks to March 6, 1982 were £20.99m, against £19m for the previous 26 weeks. The directors say that a satisfactory level of turnover was achieved by flour milling, animal feeding stuffs and bakery businesses. However, they add that the trend of tight margins is continuing. Group profits reflected better results from agricultural interests, they say, and in particular a strong and sustained recovery by the agricultural merchandising subsidiary.

Fleet Letter expansion: pays 1p above forecast

PRE-TAX profits of USM quoted company Fleet Street Letter expanded from £301,000 to £472,000 for the year ended March 31, 1982 and the dividend is boosted from 0.4p to 3.5p net per share — a 2.5p payment was forecast. In their interim report the directors announced taxable profits of £149,450 (£88,554), and were confident the full year's results would comfortably exceed those for 1980/81. Turnover for the year went ahead to £871,000, against £671,000, and the tax charge was £214,000. After an extraordinary debit of £57,000 — flotation costs — the balance was £141,000. Earnings per share are given as 6.6p, compared with 4.5p.

Think of a company earning a return on capital of more than 200 per cent, whose margins are not far short of 80 per cent, and it may not seem too surprising if the shares have appreciated by 88 per cent since their flotation ten months ago. Puzzled? Answer is the Fleet Street Letter, which has been raking in cash — by way of advance subscriptions, mostly on banker's order — to such effect that its income on deposits has almost doubled in the last year. The result? The up, FSL is

Capper-Neill dives to £2.6m

DEPRESSED PRE-TAX profits have been shown by Capper-Neill for the year to March 31, 1982, falling from £2.81m to £2.57m on sales slightly higher at £108.25m, against £105.43m.

At half time the pre-tax figure fell from £1.77m to £1.61m and the directors stated that they were unable to view the second half with optimism. Although the full year figures benefited from a contribution this time of £41,000 from associates, and interest charges were slightly lower at £1.08m against £1.02m, redundancy costs rose from £818,000 to £950,000. There was also a £336,000 increase in the provision for doubtful debts.

An increase in borrowing almost offsets the benefit of lower interest rates, says the directors, although, at 38 per cent net borrowing is acceptable. Past problems created by the strength of sterling and high interest rates are showing their effects on profit, says the directors. The group has survived the appalling conditions of recent years without disastrous results and in the longer term, is strongly placed to take full advantage of a return to more normal trading. However, they point out that competition has resulted in a reduction of 18 per cent in trading profit from £2.65m to £2.57m, although sales have been maintained with an improvement in exports. The depth of world recession, the falling oil price and stabilisation of energy usage have caused a cutback in capital expenditure in the petrochemical and related energy industries which represent a significant proportion of the group's process plant.

Atkins Bros. rises and pays more

Taxable profits of Atkins Brothers (Hosiery) finished higher at £516,000, compared with £448,000 for the 12 months to March 31, 1982 despite a slight decline in the second half from £283,110 to £264,390.

A final dividend of 3.65p (same) raises the net total by 0.35p to 5p per 25p share. Full-year turnover slipped from £12.28m to £11.97m. Tax took much the same at £149,000 (£146,000).

ROWLINSON

Rowlinson Construction Group has changed its name to Rowlinson Securities. The effective date of the Certificate of Change of Name is dated May 21, 1982.

SPAIN

Table with columns: Name, Price, % Change. Includes Banco Bilbao, Banco Exterior, Banco Hispano, Banco Ind. Cast., Banco Ind. Valencia, Banco Urquijo, Banco Vizcaya, Caja de Pensiones, Caja de Pensiones, Hidrola, Iboresano, Ind. Turis., Perpetua, Sogefisa, Telefonos, Union Espar.



ABERTHAW CEMENT

Group Results for the year ended 31st December 1981

Table with columns: 1981, 1980, £'000, £'000. Rows: Turnover, Profit before Taxation, Taxation, Profit after Taxation, Earnings per Share, Total Dividend per Share.

- Continued growth in profit, dividend and earnings per share. Second half of year reflects benefits of higher production, increased sales and manufacturing economies. Net borrowings reduced by £2m.

Copies of the Report and Accounts may be obtained from The Secretary, Aberthaw & Bristol Channel Portland Cement p.l.c., Beynon House, Mount Stuart Square, Cardiff CF1 6DR.

Fine Art Developments - mail order and greeting cards -

Table with columns: Year ended 31st March, 1982, 1981, £'000's, £'000's. Rows: SALES, TRADING PROFIT, INTEREST, EXCEPTIONAL CREDIT, PROFIT before tax, DIVIDENDS per share.

Fine Art Developments p.l.c.

The 1982 Report and Accounts are available from the Secretary at Fine Art House, Queen Street, Burton upon Trent, Staffordshire, DE14 3LP.

Laporte

Progress made in 1981 should continue in 1982

Table with columns: Salient figures, 1981, 1980, £'000, £'000. Rows: Sales, Profit before taxation, Profit/(loss) after taxation and extraordinary items, Ordinary dividends, Earnings per share (pence).

The Annual General Meeting of chemical manufacturers, Laporte Industries (Holdings) Limited was held on 4th June 1982. The following are extracts from the statement made at that Meeting by the Chairman, Mr R. M. Ringwald CBE.

Trading in the first few months of the current year has been up to expectations. The level of activity of most business areas has been similar to that achieved in the second half of last year, which means that, overall, it has been better than during the corresponding period of last year.

With regard to the economic climate in which we operate, it would be unfair of me to say that any significant upsurge has been observed by us; on the other hand there is little doubt in my mind that we reached the bottom of the cycle some little while ago, and although no really significant improvement in demand has been felt, the fact that our rationalisation occurred in good time, and that we are now a more efficient, productive and cost conscious unit, means that even without substantial economic growth, we are very much more solidly based in terms of hard core profitability.

I can report satisfactory performances in the first few months of this year by our relatively new subsidiaries. Our aim to broaden the technological base of our Company is proceeding with vigour and we are placing growing emphasis on extending our activities into related but less capital intensive businesses.



Copies of the 1981 Report and Accounts and the full AGM statement can be obtained from The Secretary, Laporte Industries (Holdings) Limited, 24 Hanover Square, London W1R 0BE.

Advertisement for The Army Benevolent Fund. Text: 'In war, in peace you need his help'. Image of a soldier. Text: 'When help is needed, please help him and his dependants. A donation, a covenant, a legacy to THE ARMY BENEVOLENT FUND will help soldiers, ex-soldiers and their families in distress. Dept. Ft. Duke of Yorks Sq. London SW1 5SE'.

UK COMPANY NEWS

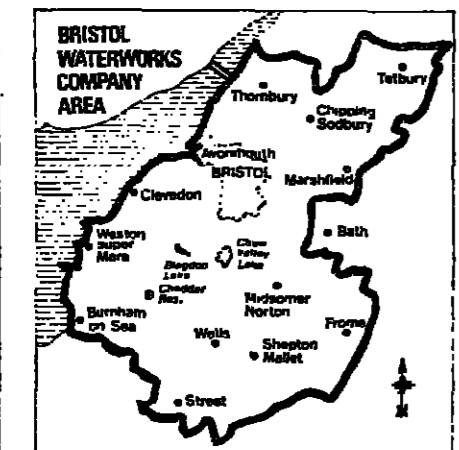


For the period ended 30th April 1982
* The merger has been successfully achieved
* Net profit of £2,072,000 after transfer to inner reserves
* Dividend 34% from 33%
* The new year has started well

Financial Highlights table showing 1982 figures for Issued Capital, Reserve, Profit & Loss, Total Assets, Profit, and Dividends.

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BRISTOL WATERWORKS COMPANY

The surplus for the year 1981/2 of £396,000 exceeded the Board's expectations, says the Chairman of Bristol Waterworks Company, Mr. Gilbert Parrott, in his statement circulated with the Report and Accounts to be presented to the 136th Annual General Meeting of Stockholders on Monday 28th June 1982.

WATER Bristol Waterworks Company, Bridgwater Road, Bristol BS99 7AU.

Companies and Markets BIDS AND DEALS

Lookers proceeds with Braid bid

Lookers, the Manchester-based distributor, will continue with its £2m bid for the Braid Group despite the fact that this will lead to the loss of Braid's Ford main dealer franchise in Macclesfield.

Approach to St George's

St George's Group has received an approach which may lead to an offer. Shares in the linen hire and laundry group added 6 1/2p yesterday to 138p where the market capitalisation is £6.8m.

MacLellan asks for suspension

The board of Glasgow-based P and W MacLellan yesterday requested a suspension of dealing in the group's shares pending details of an acquisition. It is unlikely that the deal will be concluded, however, before the beginning of next week.

THORN EMI

Thorn EMI Lighting has formed Thorn EMI Lamps and Components to handle combined embodiment sales of light sources and gear as well as sales of photographic, projector, studio, automobile and miniature lamps to specialist distributors.

Peabody Intl. acquires two UK companies

Peabody International Corporation of the U.S. has acquired two UK-based companies for an undisclosed sum. The companies are Vector, a licensee for the Peabody Myers range of Vector municipal and industrial cleaning equipment, and Industrial and Municipal Pollution (IMP), a contract cleaning concern.

PARAMBE O'DAIR

In accordance with the terms set out in the circular to shareholders dated July 3 1981 whereby all the 612,500 shares of capital of O'Dair Brothers were to be acquired by Parambe...

DAWSON INTNL

Dawson International has completed the disposal of John Haggas (Killing) and the business of John Haggas.

ABERDEEN LAND

The recent offer by City of Aberdeen Land for the whole of the issued capital of General Trust and Heritage has been accepted in respect of 12,550 ordinary shares (85.66 per cent) and 12,662 preferred shares (86.63 per cent) and 39,000 deferred (97.5 per cent).

SHARE STAKES

Jayplant - Nicholas Langley-Pope, chairman, has acquired 60,000 ordinary shares making interest 6,784,312 (£8.27 per cent).

Marks & Spencer to spend over £300m

MARKS AND SPENCER, the St Michael brand stores group, continues to invest heavily, and has budgeted more than £300m to be spent over the next four years in property, buildings and equipment.

Brook Street faces difficult year ahead

THE TROUBLES of staff recruitment which have plagued Brook Street since it was taken over by Mr Eric Hurst, joint chairman...

Myson borrowing limit up

THE DIRECTORS of Myson, the heating and air-conditioning group, are confident that shareholders will approve plans to raise the company's borrowing limit to three times shareholders' funds.

TYSONS (CONTRACTORS) P.L.C.

Results for the year ended 31st December, 1981 table showing Group Turnover, Profit before Taxation, Profit after Taxation, Dividend, and Earnings per Share for 1981 and 1980.

LONDON TRADED OPTIONS

Table of London Traded Options for various stocks including BP, GEC, ICI, etc., showing prices, closing offers, and volumes.

RESULTS AND ACCOUNTS IN BRIEF

MORLAND SECURITIES - Inc. recharges £50,870 (£58,162). Pre-tax profit £45,018 (£21,861). Tax £15,854 (£4,538). Earnings per share 10.1p (£5.99).

CARR'S MILLING INDUSTRIES PLC Interim Statement

Interim Statement table showing Sales, Less Inter-Company Sales of products for re-processing, Sales to External Customers, Profit before Taxation, Estimated Taxation, Profit after Taxation, and Net Profit attributable to the Group for 27 weeks to 6th March 1982, 26 weeks to 29th Feb. 1982, and 52 weeks to 29th Aug. 1981.

The figures for the 27 weeks to the 6th March, 1982 (and for the comparable period of the previous year) are unaudited. Estimated taxation for the periods of 27 and 26 weeks is the Advance Corporation Tax levied upon the interim dividends declared.

FLEET STREET LETTER PLC

Publisher of Britain's oldest financial newsletter, the Fleet Street Letter - established 44 years - Record Profits, Substantial dividend increase, Excellent cash resources.

Midland Bank plc

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. Midland Bank plc (Incorporated in England, Registered No. 14239). Issue of £100,000,000 14 per cent Subordinated Unsecured Loan Stock 2002/07 at £96.55 per cent payable as to £25 per cent on 14th June, 1982 and as to the balance on 15th September, 1982.

APPOINTMENTS

Three top men join Standard Chartered

Sir Denis Hamilton, Mr John Page and Sir Raymond Fenwick have been appointed to the board of the STANDARD CHARTERED BANK.

Sir Denis is chairman of Reuters and was formerly chairman and editor in chief of Times Newspapers.

Mr Page, a former chief cashier and executive director of the Bank of England, is chairman designate of the Agricultural Mortgage Corp and on the board of the Nationwide Building Society.

Sir Raymond is chairman of BICC, formerly deputy chairman of Imperial Chemical Industries and until recently president of the Confederation of British Industry.

Mr Robert Haslam has been appointed a member of the board of directors of CABLE AND WIRELESS and becomes a non-executive director. He is one of two directors nominated by the Government. Mr Haslam is deputy chairman of Imperial Chemical Industries.

Mr Anthony Burton has joined the partnership of stockbrokers, McANALLY, MONTGOMERY AND CO. He continues as head of the firm's corporate finance department.

BANKERS TRUST COMPANY OF NEW YORK has appointed Mr Magnus Lagercrantz vice-president in the world corporate department. Currently based in Frankfurt and responsible for business development in the Scandinavian multi-national corporate sector, he will transfer to London at the end of 1982.

Following the offer for **FEDERATED LAND** by the British Steel Corporation, Pension Fund the following representatives of the Pension Fund have been elected to the board of Federated: Mr Claud Osborne, Mr Paul Oldham, Mr Stuart Colley, Mr Richard English and Mr Michael Clarke. Mr Arthur Richards has resigned as chairman, but remains on the board as a non-executive director. Mr Osborne has been appointed chairman, and Mr Oldham has been appointed deputy chairman. Mr Peter Meyer has resigned as managing director, but remains on the board as a non-executive director. Mr Trevor Slater has been appointed managing director in his place. Mr Raymond Pyne continues as director and company secretary. Mr Cyril

Smellie continues as a non-executive director.

COUNTY PROPERTIES, the development arm of Assam Trading (Holdings) has appointed Mr Michael Burdon and Mr John Burnley to the board.

ELBAR INDUSTRIAL has appointed Mr Ebenezer Allard a director. He is a director of Tanks Consolidated Investments.

NORMAN INSURANCE has appointed Mr Walter H. Frude to the board. He was senior vice-president of INA International Corps.

LAND DECADE EDUCATIONAL COUNCIL has appointed Major General R. F. W. Wall as its first director.

Mr David E. Tench has been reappointed chairman of the DOMESTIC COAL CONSUMERS' COUNCIL. He is legal adviser to the Consumers' Association.

Mr David Metzger has been appointed director of exploration and production of PREMIER CONSOLIDATED OILFIELDS, replacing Dr James M. Dorreca who becomes a consultant to the company. Mr Metzger was previously director in charge of exploration at Tricentral Oil Corporation. Premier Consolidated is a British independent exploration company.

Mr George D. Craigen, superintendent-branch department, head office of THE ROYAL BANK OF SCOTLAND GROUP has been seconded to the group as head of group planning. Mr William Armitage, operational research analyst, head office, data processing-systems planning, has been seconded to the group as assistant head of group planning.

Mr Jan Capp has been appointed managing director of COLOURSET LITBO, Deptford. He was previously managing director of the Green Shield printing services subsidiary, Press and Post.

Mr James Lunn has been appointed personnel director of SPINNEY'S (1948). Previously he was personnel director of Linford Holding.

Mr Christopher Sharp has been appointed deputy chief executive of NORTHERN ROCK BUILDING SOCIETY. He has been an assistant general manager of Northern Rock since 1978.

Whitehall chill over renewable sources

By Ray Dafter, Energy Editor

GOVERNMENT SPENDING ON ALTERNATIVE ENERGY DEPARTMENT OF ENERGY RESEARCH AND DEVELOPMENT BUDGET FOR RENEWABLE ENERGY AND ENERGY UTILISATION

	1978/79	£'000 (outturn prices) 1977/78	1980/81	1981/82 (estimate)	1982/83 (forecast)
Wind	114	426	772	900	
Wave	1,746	2,963	3,316	3,900	
Geothermal	162	1,277	2,248	6,800	
Solar	132	1,118	789	500	
Tide	—	612	1,409	400	
Biomass	85	117	242	400	
Conservation	237	172	229	400	
Coal liquefaction and miscellaneous	28	312	480	300	
Totals	2,524	6,977	9,465	13,600	11,000-12,000
ETSU* Services	1,469	1,916	3,141	4,000	approx. 4,000

* Energy Technology Support Unit, Harwell

Source: Department of Energy

"RENEWABLE energies provide a very valuable insurance policy," says Mr David Mellor, Parliamentary Under Secretary for Energy, touching on one of those sensitive issues that require deft footwork from politicians.

The problem confronting the UK is the degree to which state support is given to development of alternative energy sources—such as the power of the sun, wind, waves and tides—at a time when the country has more than sufficient supplies of conventional fuels.

Risking the taunt of being complacent in the face of energy self-sufficiency the Energy Department has just decided to lower its research and development budget for renewable energies and conservation. During the current 1982-83 financial year the department expects to spend between £11m and £13m as against about £18.6m during the previous 12 months.

The department takes the view that the current spending level is all that is justified given the point of development of the various energy schemes and the general financial belittling by Whitehall. It is a view based on a recommendation by the Government's Advisory Council on Research and Development for Fuel and Power (ACORD).

But the renewable energy programme — particularly one of the most promising of the alternatives, a possible tidal barrage electricity generating project in the Severn Estuary — has also been caught in the trap between energy projections on the one hand, and the Government's commitment to nuclear power on the other.

The Energy Department is still working on the energy forecasts that will be presented to the public inquiry into the Sizewell B pressurised water reactor early next year. Judging by other projections, little growth in electricity demand is likely to be foreseen over the next 20 years or so.

The CEGB, backed by Energy Ministers, remains committed to the view that new PWR stations will be needed to replace the first generation of nuclear plants, to increase the supply security which arises from a diversity of fuels, and to peg the cost of base-load electricity generation. At present, says the CEGB, alternative energies are not sufficiently cost-effective or technologically

advanced to compete with nuclear generation for large-scale electricity generation.

"We are prepared to pay a significant premium to make sure we can harness renewables when they are needed," commented Mr Mellor, the junior minister with a particular remit for alternative energies.

But the reduction in research and development expenditure has angered some, including the Friends of the Earth. A new report* from the environmental pressure group describes the funding as "woefully small."

The organisation calls for a doubling of the budget. Somewhat predictably it contrasts the funding of alternative energies with the £221m nuclear research and development budget. Government energy officials argue that it is wrong to compare funding in this way given the much more advanced state of nuclear power generation. One day, they promise, alternative energies will receive the equivalent of the present nuclear funds.

Among others upset with the Government's proposals are Coventry (Lanchester) Polytechnic and SEA Energy Associates which have been working on the SEA Clam wave energy device, one of a number of wave generators being developed in the UK. They have been pressing the Energy Department for funding of a

demonstration prototype. Such a unit would provide a "shop window" for exports, commented SEA Energy Associates.

At the moment, however, Government advisers take the view there is nothing to put in the shop window. They had set a target to the wave power interests: produce a model which, on the judgment of independent engineering consultants, showed the promise of producing power for 5p per kilowatt hour and the Energy Department would consider spending around £10m on a sea-going 10Mw demonstration project.

According to Energy Department officials none of the wavepower ideas had "crossed the minimum hurdle," in spite of six years of Government funding at a cost of over £12m. ACORD has recommended that "no new development work should be supported from the department's R and D budget."

There is a good deal of irony associated with that recommendation. For it coincided with news that Japan's Fuji Electric has been licensed to produce prototypes of a wave energy device developed at Queen's University, Belfast. The device, developed with a £250,000 grant from the UK Energy Department, is already being used in Japan.

It was only a few years ago that wavepower was regarded

as one of the most promising sources of Britain's future energy. "Wavepower is likely to be a front-runner for this country among the renewable energy sources," said Labour MP, Mr Alex Eadie when he was Parliamentary Under Secretary for Energy in 1978.

Certainly the UK seems ideally placed to take advantage of the energy in waves. In winter—when energy demand rises—the long coastline is pounded by waves. In theory wave energy could supply up to one-third of current annual electricity demand. But the technical problems of harnessing wave energy are considerable.

The Government may not totally turn its back on wave energy. For it seems there is a likelihood the Energy Department will provide limited funds—certainly less than £1m—for continued research and development work on a couple of favoured wave power projects.

Most of this year's funding, probably around 75 per cent, will go on two types of renewable energy which are regarded in Whitehall as particularly promising—wind power and geothermal energy (hot rocks).

Two wind power projects are already in hand. The CEGB is building a pilot vertical axis wind generator on the site of a power station in Carmarthen Bay, Dyfed. Under this

£500,000 project this medium-sized generator will provide up to 200 kW of electricity, beginning later this year.

A more ambitious project is under way in the Orkneys where two wind turbines are planned. A consortium called the Wind Energy Systems Group—comprising Taylor Woodrow Construction, British Aerospace Dynamics Group, and GEC Energy Systems—is now constructing a 20-metre diameter generator with a power output of some 350 kW. When commissioned later this year the machine should provide the North of Scotland Hydro Electric Board with sufficient electricity to meet the needs of about 150 homes.

But this is the first step towards the construction of a bigger, 60-metre diameter generator. This 3 Mw machine, costing around £8.2m, is due to be commissioned in late 1984 or early 1985. When fully operational on Burgar Hill in Orkney the generator should provide the Hydro Electric Board with sufficient power to meet about one-seventh of the island's electricity requirements.

Within the Energy Department it is felt that wind energy will become competitive with other fuels towards the turn of the century, given the expected rise in oil prices. (Wind may be free but the construction, conversion and maintenance costs are not.) The department is working on the assumption that during the next 20 years oil prices will increase by between 50 and 100 per cent in real terms.

No-one doubts that there will be plenty of wind available. A new book, published by the British Wind Energy Association, says there is more than enough wind available to meet the whole of the UK's electricity needs. But it was unreasonable to accept that more than 20 per cent of the country's supplies could be based on aerogenerators, given the variable nature of wind and the very large number of machines required.

In its recommendations to the Government, ACORD suggested that the funding of geothermal energy projects should also continue. Although these are unlikely to provide large-scale electricity generation opportunities there are many potential "hot rock" sites that could provide localised supplies of hot water for combined heat and

power schemes, domestic and commercial heating, and perhaps electricity generation.

Two types of geothermal energy are being studied: low-temperature, such as at Ince, Scotland or County Durham. Geothermal aquifers can provide naturally-heated water suitable for community needs, as has been demonstrated in Southampton. Under a scheme, jointly funded by the Energy Department and Southampton City Council, a well has been drilled in Southampton to provide heat for a new civic complex, existing council offices and the municipal swimming baths. A similar project may now be undertaken in Humberston.

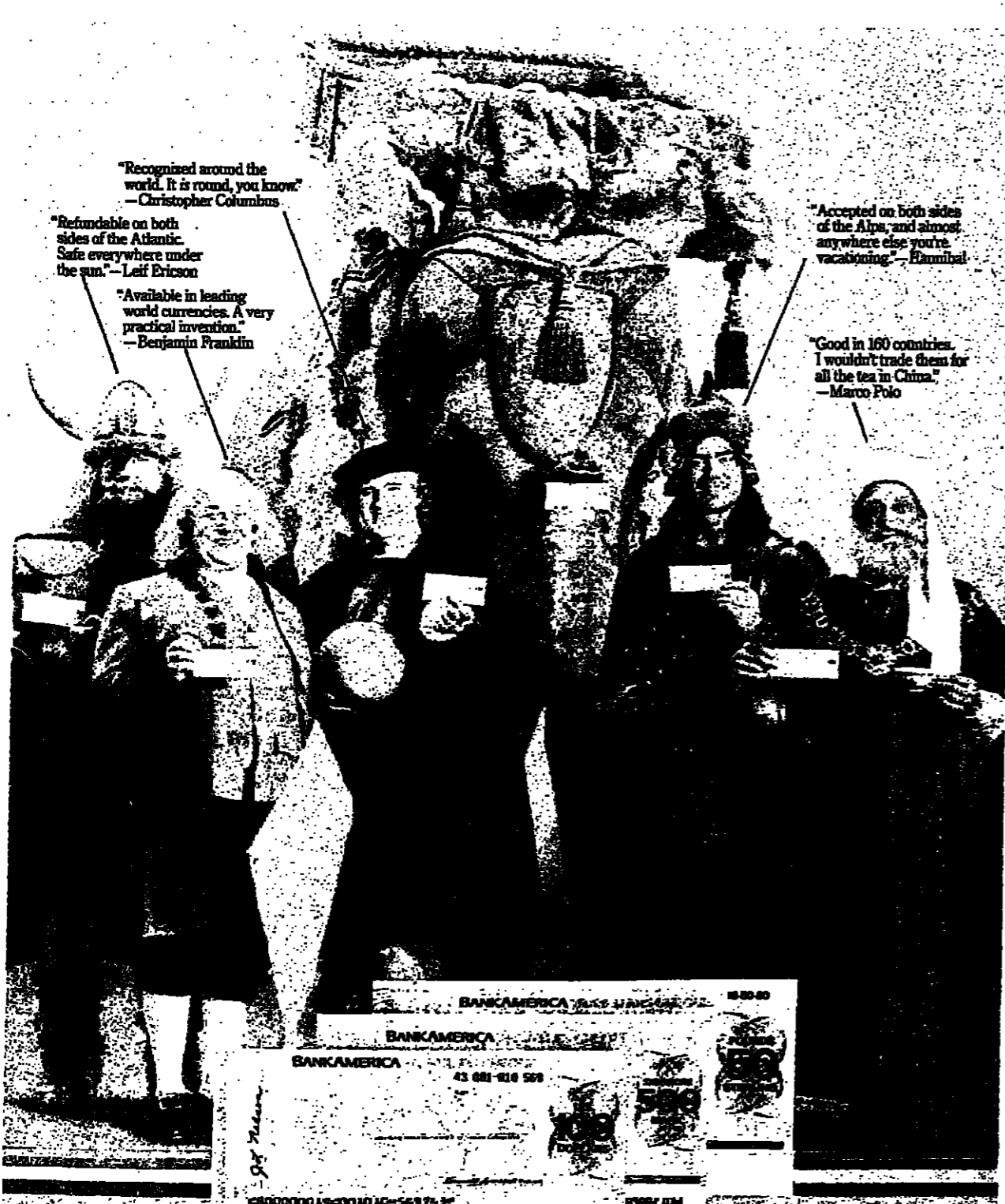
But it is tidal power—the Severn Barrage in particular—which provides the Government with the opportunity of harnessing natural, renewable energy in commercial quantities in the near future.

As a leading Government official commented: "Our search into tidal power has reached the stage where we know pretty well what to do. It is the stage we are trying to reach with other renewable energies."

Government studies have already shown that it would be possible to generate up to 20 Tera-watt hours a year (about 10 per cent of present electricity demand in England and Wales) at little more than 5p/kWh. But Ministers and officials are nervous that a Severn Barrage project would necessitate "a single, enormous throw" of a barrage scheme at a cost of £5.5bn to £9bn.

Whichever way the ministers turn, their posture will be viewed as an indication of the Government's continuing tilt towards renewable energy sources.

* "Eclipse of the Sun", Friends of the Earth energy paper, No. 5, 377 City Road, London EC1V 1NA; 1982: £1.95.
 * Energy Technologies for the United Kingdom, Vols 1 & 2, 1979; SO, £3 and £6.25 respectively.
 * Wind Energy for the Eighties, British Wind Energy Association; Peter Peregrinus, Stevenage; 1982: £19.50.



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THE FRENCH STYLE OF FINE LIVING IN THE WORLD.

Thailand slows manioc exports

BANGKOK — The Thai Government has slowed manioc exports to the EEC for the rest of the year to ensure that its export quota of 500,000 tonnes will be observed, according to the Thai Commerce Ministry.

Palm oil surcharge extended

BANDAR — Thailand will extend its 20 per cent surcharge on palm oil imports for another year until August 5, 1982, deputy commerce minister Thaw Kraikrut told Reuters.

LONDON OIL SPOT PRICES

Table with columns for oil types (Arab Light, Arab Heavy, etc.) and prices per barrel.

GOLD MARKETS

Gold rose \$6 to \$330-\$331 in the London bullion market yesterday. It opened at \$330-\$331, and was fixed at \$330.90 in the morning, and \$328.75 in the afternoon.

Table showing Gold Bullion (ounce) and Gold Coins prices for various countries.

Less EEC sugar beet predicted

LOW WORLD sugar prices could cause a 10 per cent fall in the area sown for beet within the EEC over the next year, Mr Jan De Koning, Holland's agriculture minister, claimed yesterday.

The Minister, in a speech read on his behalf to a congress of the International Confederation of European Beet Growers (CIBE) in Amsterdam, said that a reduction in area sown from 2.2 million hectares in 1981/82 to 1.8 million hectares next year was likely.

W. African cocoa output rise forecast

ABIDJAN — Cocoa output in the five main West African producing countries is expected to rise to over 900,000 tonnes in 1981/82 from the previous season's 844,000, foreign cocoa experts said here.

USSR may delay grain purchase

WASHINGTON — Senator Larry Pressler said Soviet officials told him they would not be making any large new purchases of grain from any supplier until September.

Speaking to reporters, Mr Pressler said, "I was told there would not be any grain purchases until September."

When asked what motivated the normally reticent Soviet grain traders would have for disclosing their intentions not to buy grain, Mr Pressler responded, "It was a surprise to me and to the (U.S.) embassy."

TOBACCO

Cuba beats the blue mould

BY CANUTE JAMES, RECENTLY IN HAVANA

THE CUBAN tobacco industry, nearly destroyed three years ago, has almost recovered. The industry suffered setbacks when the crops of 1979 and 1980 were affected by blue mould fungus.

The recovery was indicated by last year's record crop of 52,000 tonnes, and was followed by a more modest crop this year. "The crop which has just ended has been normal," said Sr Jaime Mas, director of Cuba-tobacco, the State agency in charge of the industry.

The rehabilitation of the industry has brought exports of Havana cigars back to near normal levels, although Cuba is still importing tobacco from countries such as Spain and Italy to shore up depleted stocks.

Australia may ease ram export curb

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S "hands off" policy on the export of prize merino rams may soon be amended.

In the present, there is an export limit of 400 rams a year for the great Australian outback. The merino is idolised for its links with the pioneer past, and for its crucial role in the establishment of Australia's farming wealth.

Production in the 1980 crop fell to about 5,000 tonnes. In 1979 Cuba imported 300,000 tonnes of tobacco to maintain supplies for its domestic market, and exports were curtailed.

The attack of blue mould was finally tamed with assistance from Switzerland, where a chemical was found capable of dealing effectively with the disease. It was expensive, and Swiss chemists and agronomists were asked to assist the Cubans in what turned out to be a painstaking process of treating every tobacco plant.

The success of the programme was reflected in the size of the 1981 crop. "In the crop which has just ended there has been no indication of blue mould," said Sr Arce.

Record rapeseed crop forecast

THE EEC rapeseed crop could increase by 15 per cent or more to 300,000 tonnes, according to a new survey by the Hamburg-based weekly publication "Oil World."

Such an increase would be almost double the 1979-80 figure of 1.2m and 24 times the 1977-78 figure of 931,000 tonnes, Reuters.

Western Europe eats less meat

By John Wicks in Zurich

MEAT CONSUMPTION in the 12 main West European countries fell by 33.1 per cent by weight between 1970 and 1980, according to the European Confederation of Agriculture (CEA) in Brugg, Switzerland. This represents a drop of 22.4 per cent in per-capita consumption. Demand for meat declined by a further 1.4 per cent in 1981, the confederation adds.

BRITISH COMMODITY MARKETS

Table showing prices for various commodities like tin, copper, nickel, etc.

COFFEE

Table showing coffee prices for different grades and origins.

GRAINS

Table showing grain prices for wheat, barley, etc.

PRICE CHANGES

Table showing price changes for various commodities.

SOYABEAN MEAL

Table showing soyabean meal prices.

SUGAR

Table showing sugar prices.

AMERICAN MARKETS

Table showing American market prices for various commodities.

EUROPEAN MARKETS

Table showing European market prices for various commodities.

INDICES

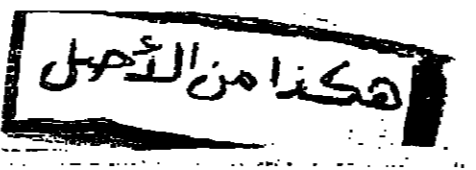
Table showing various financial indices.

Commodity Analysis Limited advertisement with contact information and services.

GENEVA advertisement for financial and commodity services.

Wool Futures advertisement for London New Zealand wool.

Meat/Fish advertisement for various meat and fish products.



Getting it together at GM

GENERAL MOTORS has been quietly but quickly moving ahead with a new strategy to manufacture and sell trucks on a worldwide scale...

its truck activities stems partly from a growing body of opinion that the current slump in worldwide truck sales is accelerating the concentration of heavy-duty manufacturers.

he is moving ahead with a joint engineering programme that would link Bedford with a new truck engineering centre at GM's Technical Center in the U.S.

overseas. Mr F. James McDonald, GM's president emphasised the developing markets in the Middle East, Africa, Asia-Pacific and Latin America when he announced the new truck group.

Centralising GM's truck operations, which accounted for 18.7 per cent of its worldwide unit sales in 1981, is said by company executives to be a step towards enhancing the company's ability to design major vehicle components which can be manufactured with only minor variations anywhere in the world.

As part of its new strategy to manufacture and sell trucks on a worldwide basis, General Motors, the world's leading carmaker, is expected to develop a medium-duty van for the Bedford commercial vehicles division of Vauxhall Motors of the UK which could become the basis of a design for other GM facilities.

While GM's truck strategy concentrates first on rationalising U.S. and European operations, ultimately it is expected to include Asian markets as well.

The so-called "world truck" has been an elusive goal for vehicle manufacturers, however, mainly because local market demands and regulations governing truck weight and design features prevent genuine uniformity.

A 17.8 per cent interest. Its light and heavy-duty truck manufacturing up to now has been done by its U.S.-based GMC Truck and Coach division, part of its Chevrolet passenger car division.

data communication via computer link-up and satellite. The Center is expected to develop first a medium-duty van for Bedford which would become the basis of a design to be manufactured in other GM facilities.

Isuzu is currently ranked seventh among world truck producers of vehicles over six tons gross weight. A GM-Isuzu tie-up would make their combined output the largest in the world, ahead of Daimler-Benz.

GM's interest in reorganising

The immediate impact of the reorganisation is to bring truck manufacturing in the U.S. and Canada under a single division, co-ordinated with Bedford and the Hua Tung Automotive of Taiwan, in which GM holds a 45 per cent interest.

The consolidation and strengthening of GM's worldwide truck operations is aimed at positioning the company to take advantage of future growth

GM likewise is building a heavy-duty diesel plant in Taiwan for Hua Tung, which will ultimately supply 50 per cent of that company's needs.

£30m Eurobond issue for French bank

By Peter Montague, Euromarkets Correspondent. A £30m five-year issue was announced by Banque Paribas in Paris on Monday.

The issue, which comes at a time of declining UK interest rates and a strong currency, but at a time of rising prices of par. It is led by S. G. Warburg.

Some bankers said yesterday that the Eurosterling market now looks ripe for a more sustained flow of new issues, although, as in other sectors of the Euro market, the danger of excess remains.

Both the Eurodollar and D-mark markets continue to suffer from this syndrome. Dealers in dollar bonds said yesterday they saw some of the sharp price falls, but trading activity was mainly confined to professionals whose short-coverings pushed selected issues off their lowest levels.

D-mark bond prices fell by up to 1 point, with the strong dollar adding to the mood of depression. Today the Inter-American Development Bank is scheduled to launch a DM 150m issue, the largest in this month's calendar.

Yesterday the bank launched a FI 100m 10 1/2 per cent 10-year issue on the Dutch market through Algemene Bankier in Amsterdam.

Also launched yesterday for the Quebec urban community was a C\$15m six-year 16 1/2 per cent issue at par through BNP, Banque Bruxelles Lambert and Wood Gundy.

Fluor said that its four operating units continued to trade on a profitable trend, with higher earnings recorded at the engineering and construction groups and also at the drilling service division.

The first quarter of this year showed a substantial rise in net income, which largely reflected the inclusion of St Joe

Clore wins the battle for control of Gulf Resources

By Paul Bettis in New York

MR ALAN CLORE, son of the late Sir Charles Clore, one of Britain's wealthiest men, yesterday won his battle for control of Gulf Resources and Chemical.

The new board was understood to be meeting in New York yesterday and was expected to announce new executive appointments to head the company.

In a brief statement, Gulf Resources said the settlement agreement provides for the dismissal of certain litigation and the granting of mutual releases.

The statement said: "The agreement reflects the committee's desire to allay fears of employees and to facilitate an orderly transition."

Gulf Resources had until now fought vigorously to block Mr Clore from taking control of the company. But Gulf Resources

shareholders earlier voted by a margin of nearly 55 per cent in favour of Mr Clore's dissident slate of directors.

Mr Clore said he had decided to fight against the company's management because it had been unable to realise the potential of the company's assets.

But yesterday's settlement does not resolve all litigation including a dispute over severance benefits agreements approved by old management.

These involve substantial benefits to managers should they lose their jobs, which Mr Clore and other dissident shareholders, including Placid Oil Company controlled by the Exxon brothers in Dallas, regard as wholly unjustified and extravagant.

Holly Sugar management obtains facility for buyout

By Our Financial Staff

HOLLY SUGAR, the Colorado-based sugar beet processor, announced that it has received an offer from General Electric Credit for a \$100m credit facility in connection with a leveraged buyout of the company.

The offer, which is being led by Mr Michael S. Buchsbaum, the chairman of GE Credit, is being led by Mr Michael S. Buchsbaum, the chairman of GE Credit.

Mr Buchsbaum said that GE Credit anticipates moving ahead rapidly with the transaction. He added that the credit facility is not conditioned on the sale of non-beet sugar processing assets or on contributions by sugar beet growers.

However, Holly said it will continue to pursue its previously-announced divestiture programme.

U.S. Steel in move to sell titanium unit

By Our New York Staff

U.S. STEEL, the leading domestic U.S. steelmaker, and National Distillers and Chemical Corporation are studying the possible sale of RMI Company, the second largest titanium producer in the U.S.

RMI has a titanium sponge capacity of around 18 1/2 million pounds capacity of roughly 15m lb. Last year its profits rose sharply to \$6.5m on sales of just under \$55m.

But the company was weighed down by the weak demand for commercial aircraft and certain types of military aircraft will lead to lower sales and profits in 1982.

Gulf & Western decline

By Our Financial Staff

A FALL in third quarter earnings reported by Gulf and Western Industries, the widely diversified industrial group, was expected, says the board, and is blamed on the economic recession and the continuing high interest rates.

Net earnings dropped from \$75.8m to \$35.3m or 44 cents a share fully diluted in the quarter ended April 30, although sales dipped only slightly, from \$1.47bn to \$1.34bn.

However, six out of the seven operating divisions were profitable during the quarter, the board points out.

For full fiscal 1981, Gulf and Western took earnings from \$255m to a peak \$291m on revenues of \$5.7bn. Operations outside the U.S. make up 44 per cent of group profits.

Cautious outlook at Fluor

By Our Financial Staff

OPERATING RESULTS will probably be upset in the second half of this year by the worldwide economic climate, says Fluor, the major engineering and construction group.

However, the directors are endeavouring to mitigate any adverse effects by continuing to aggressively market the company's services and products.

Fluor has reported net income for the first half of the fiscal 1982 year of \$62m or \$1.04 a share, compared with \$74.3m or \$1.52 a share a year ago.

There were more shares outstanding in the current period than last year.

For the whole of fiscal 1981, Fluor, which takes about 88 per cent of its profits from outside the U.S., pushed earnings ahead

from \$132m to a record \$158m or \$2.83 a share. The total was held back by costs involved in the acquisition of St Joe Minerals, the coal, zinc and silver subsidiary.

For the current year, Fluor expects to benefit from the inclusion of a full year from St Joe and also from higher production at the Buchanan North Sea oilfield.

Fluor said that its four operating units continued to trade on a profitable trend, with higher earnings recorded at the engineering and construction groups and also at the drilling service division.

The first quarter of this year showed a substantial rise in net income, which largely reflected the inclusion of St Joe

Insurance plan for Arab loans

By Our Euromarkets Correspondent

DR MOHAMMAD IMADY, chairman of the Arab Fund for Economic and Social Development, has proposed a new regional insurance fund to guarantee commercial bank projects against default.

This would help the poorer countries of the region obtain commercial bank finance at a time when flows of concessional funds might become scarcer because of the fall in oil prices, he told a London conference on Arab banking and finance.

The protection against financial risk offered by the proposed fund would complement the protection against political risk already provided by the Inter-Arab Guarantee Corporation.

Dr Imady's proposal follows shortly after Mr Tom Clausen, president of the World Bank, called for greater co-operation between commercial banks and official development institutions.

Dr Imady said the regional insurance fund could obtain financial resources from three main sources. Commercial banks would pay insurance premiums; national and regional development funds operating in the Arab area would contribute some of their annual profit; and there could be a levy of 1 per cent committed from commercial bank loans to regional borrowers.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday June 16.

Table with columns: U.S. DOLLAR STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists various international bonds like Aena Life 15 09/87, Amex O/S Fin. 14 08 75, etc.

Table with columns: OTHER STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists bonds like Bell Canada 16 08 82, Cdn. Pac. 15 08 82, etc.

Table with columns: DEUTSCHE MARK STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists bonds like Asian Dev. Bank 9 1/2 82, Australia 9 1/2 81, etc.

Table with columns: CONVERTIBLE BONDS, Conv. date, price, Cdg. Lists bonds like Alhambra 9 1/2 82, Bridgeway 10 1/2 82, etc.

Table with columns: SWISS FRANC STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists bonds like Air Canada 8 1/2 82, Asian Dev. Bank 10 1/2 82, etc.

Table with columns: YEN STRAIGHTS, Issued, Bid, Offer, day, week, Yield. Lists bonds like Asian Dev. 8 1/2 81, Int.-Amer. Dev. 8 1/2 81, etc.

Advertisement for MO OCH DOMSJÖ AKTIEBOLAG MoDo. Includes details about U.S. \$130,000,000 MEDIUM-TERM FACILITY and U.S. \$30,000,000 BANKER'S ACCEPTANCE REVOLVING CREDIT FACILITY. Lists participating banks like CHASE MANHATTAN CAPITAL MARKETS GROUP and SVENSKA HANDELSBANKEN.

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INTERNATIONAL COMPANIES and FINANCE

Veba pre-tax profits decline by 12% in first quarter

BY KEVIN DONE IN FRANKFURT. Veba, the energy, chemicals, trading and transport group...

Terry Dodsworth reports on a rarity among France's new state company bosses M Stern brings informality to the Cii helm

VIRTUALLY all the new bosses of France's expanded State sector were drawn from big industry or the Government machine...

Unlike many Socialist supporters, he was not violently opposed to the 1976 agreement giving Honeywell 47 per cent of the French company...

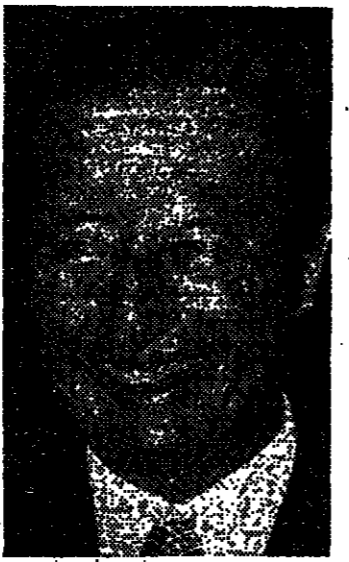
these investments have not been made because of the shortage of funds. Hence, when the company lost FFr 449m net last year...



M. Jacques Stern

Demag sees scant chance of recovery this year

BY OUR FINANCIAL STAFF. MANNESMAN DEMAG, whose profits were more than halved in 1981, sees little chance of a recovery during the current 12 months...



Prof. Rolf Sammet, chief executive of Hoechst. He said yesterday that the group had opened 1982 on a weak note.

Foreign interests control one-third of Hoechst

BY KEVIN DONE IN FRANKFURT. HOECHST, the West German chemicals group, is still unclear whether Kuwaiti interests have secretly assembled a holding of up to 25 per cent of the group's equity...

Kuwaiti involvement. Rumours concerning large-scale Kuwaiti share purchases in Hoechst have been circulating for several months among Frankfurt stock market traders...

introduced restrictions on its voting rights. The decisive question was whether a friendly consensus existed between a major shareholder and the board, said the Hoechst chairman...

State go-ahead for steel-pellet plant in Spain

MADRID — The Spanish Government has approved the construction of a \$140m steel-pellet plant in Frejuna de la Sierra in the south-western Province of Badajoz...

Weak retail prices hit German Mobil

PROFITS of Mobil Oil Germany fell about 25 per cent to DM 225m (\$945,000) for 1981 from DM 294m...

Enso-Gutzeit cuts payout

BY LANCE KEYWORTH IN HELSINKI. ENSO GUTZEIT, the Finnish paper, engineering and shipping group, reports lower profits for 1981 and is cutting its dividend...

Advertisement for Republic New York Corporation. Includes logo, share information (1,500,000 Shares), and a list of financial institutions like Salomon Brothers Inc, Merrill Lynch, and Morgan Stanley & Co.

Advertisement for Newmont Overseas Finance N.V. featuring \$50,000,000 in 15% Five-Year Extendible Notes due June 1, 1992. Lists agents like Salomon Brothers International and Merrill Lynch International & Co.

Advertisement for DANSK OLIERORs. Features £10,000,000 in Revolving Sterling Acceptance Credit with Multicurrency Advance Option. Arranged and provided by Samuel Montagu & Co. Limited.

INTERNATIONAL COMPANIES and FINANCE



Lloyds Bank Interest Rates

Lloyds Bank Plc has reduced its Base Rate from 13% to 12.5% p.a. with effect from the close of business on Tuesday, 8th June 1982.

Other rates of interest are reduced as follows:
7-day-notice Deposit Accounts and Savings Bank Accounts - from 10.25% to 9.5% p.a.
Special Savings Plan - from 12.25% to 11.5% p.a.

The change in Base Rate and Deposit Account interest will also be applied from the same date by the United Kingdom branches of

Lloyds Bank International Limited
The National Bank of New Zealand Limited

Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS.

Short Term Fixed Rate Investments With Interim Amortization

OPPORTUNITY FOR INVESTMENTS IN U.K. GUARANTEED FIXED RATE VARIOUS SOVEREIGN RISK, US DOLLAR AND DEUTSCHE MARK MANAGED PORTFOLIOS

U.S. DOLLARS

Investment from 1st July 1982 to final redemption 7th August 1983
Interim maturities to produce weighted average life of 7.4 months

Investment Amount	Redemption Value	Yield
\$6,084,183.00	\$6,690,220.00	16%

DEUTSCHE MARKS

Investment from 1st July 1982 to final redemption 2nd July 1984
Interim maturities to produce weighted average life of 1 year.

Investment Amount	Redemption Value	Yield
DM 8,711,203.00	DM 9,452,448.33	10 1/8%

FOR FURTHER DETAILS - PRINCIPALS ONLY. WRITE TO BOX 13703, FINANCIAL TIMES, 10 CANON STREET, LONDON, EC4P 4BY.

This announcement appears as a matter of record only.



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(in relation to the Al-Medinah Al-Munawwarah Public Housing Programme, Saudi Arabia)

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International Group

Managed by:
Riyad Bank
Saudi International Bank
Al-Bank Al-Saudi Al-Alami Limited

Saudi American Bank
The Saudi Investment Banking Corporation
Riyadh

Co-Managed by:
Türkiye İş Bankası A.Ş.
Canadian American Bank S.A.

Bank of Baroda
Offshore Banking Unit, Bahrain
State Bank of India

The Arab Investment Company S.A.A.
Riyadh

International Bank for Industry and Commerce/United Gulf Bank E.C.
(Ulusal Arası Endüstri ve Ticaret Bankası A.Ş.)

Participant:
Oriental Credit Limited



Agent:
American Express International Banking Corporation

Kuwait increases stake in IEDC

By Richard Johns

KUWAIT has increased its shareholding in the International Energy Development Corporation (IEDC) and also the financing of the exploration activities of the concern established in 1979 to develop hydrocarbon resources in the Third World.

It is committing another \$80m to the funding exploration work being carried out in Angola, Congo, Oman, Sudan, Tanzania, Turkey, and another, as yet unidentified, country.

Overall, the Gulf oil-producing state's participation in the activities of IEDC, covering a search for oil and gas over an area of 100m acres of which its own interest is the equivalent of 12m acres, now amounts to 50 per cent.

At the same time the stake held by the Kuwait Petroleum Corporation in IEDC B.V., the Netherlands-based operating arm of the group, has been raised to 22.96 per cent from 10 per cent of its undisclosed capital.

KPC, Kuwait's oil conglomerate, has absorbed the holdings of AZL Resources of Phoenix, Arizona, and Sulpetro of Calgary, Canada. The shares of the Arab Petroleum Investments Corporation, 10 per cent, Volvo Energi AB, 6.48 per cent, and Societe Generale pour l'Énergie et les Ressources, 0.48 per cent, are unchanged.

In addition the Kuwait Foreign Petroleum Exploration Company has a 21.25 per cent stake in the parent company, International Development Corporation S.A. which in turn owns 60 per cent of the operating arm.

Intensified Kuwaiti involvement is in line with the state's policy of investing in energy development and hydrocarbon-based business abroad.

Citibank plans data service in Tokyo

By Our Financial Staff

CITIBANK of the U.S. plans to start an electronic data service in Tokyo through the communication circuit of Kokusai Denshin Denwa offering instant access to a variety of economic data.

For instance, the service would cover the changing rates of 31 currencies and gold and financial markets in major money centres. Citibank sees as possible major clients Japanese corporations operating overseas and regional banks in need of information useful to their foreign exchange operations.

Saga Petroleum in moves to borrow some \$500m

BY FAY GJETER IN OSLO

SAGA PETROLEUM, the Norwegian oil company, is planning to borrow between \$500m and \$600m and has invited two groups of Norwegian and foreign banks to bid for the job of financing the loan.

Saga, backed by about 300 Norwegian shipping finance, and industrial firms, is one of three companies chosen by the Government to play a leading role in exploration and development on Norway's shelf.

It faces enormous investment expenditure in connection with its stakes in 16 licence areas on the shelf and its 2 per cent share in the Stat-gas gathering project, but its only significant source of income at present is its 1.6 per cent share in the Anglo-Norwegian Statfjord Field.

The two bank groups which have agreed to offer terms to Saga are Norway's Christiania Bank, together with Guaranty Trust of New York, and a consortium comprising Den Norske Creditbank, the Union Bank of Norway, Bergen Bank and Citicorp. A Christiania executive, Mr Gunnar Fjognes, said that both Norwegian and foreign

financial institutions were showing keen interest in participating in the loan.

Saga says that the two groups are expected to table their offers shortly and it will make its choice by the end of July at the latest, so that the money can be raised before the end of this year. Part of it will be used to refinance two existing loans—two of \$150m dating from 1979, raised by Saga itself, and another, of \$75m, raised by the company's loss-making petrochemicals offshoot, Saga Petrokem.

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Australian life office merger

BY OUR FINANCIAL STAFF

NATIONAL MUTUAL Life Association of Australasia and T & G Mutual Life Society, Australia's second and third ranking life insurance groups, announced definite plans to merge yesterday after several weeks of detailed discussions. The merger will result in a new society with assets of A\$4.8bn (US\$5bn), still smaller than the Australian Mutual Provident Society, whose assets are currently estimated at A\$6.9bn.

However, the merger—by far the largest to date in the industry—will both reinforce the two companies' already powerful roles as investors, and at the same time strengthen them in the increasingly widely drawn battle among Australian financial institutions to attract savings deposits.

National Mutual last week broke new ground for any major Australian institution by bidding for two minority partners in the Cooper Basin oil and natural gas project, Reef Oil and Basin Oil, after acquiring controlling stakes from Mr Alan Bond's Bond Corporation Holdings. It also acquired a 13.3 per cent stake in Santos, the leading company in the Cooper Basin project, from Bond.

Australian institutions, which often feel hemmed in by their financial size in relation to the stock market, have in recent years begun to diversify more widely into property, agriculture and direct participations in major natural resources projects. National Mutual's acquisitions in the Cooper Basin, the country's most promising large onshore hydrocarbon development, fits into this pattern.

There has also been speculation that both AMP and National Mutual might seek banking licences if, as the financial community continues to hope, the Australian government implements recommendations of the Campbell committee that would broaden competition for lending and deposit-taking business.

● Castlemeane Toohey's, Australian east coast brewer, plans to make a one-for-eight scrip issue to increase its capital from A\$91.69m to A\$103.15m (US\$106m).

In March the company reported a 61 per cent rise in interim 1981-82 profits to A\$25.4m from A\$17.65m. An interim dividend of 13 cents was paid against the full 1980-1981 payment of 22 cents.

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Struggle for control of Norman Ross

By Michael Thompson-Need in Sydney

A SHAKE-UP of the Australian retailing scene seems likely to follow from a two-way struggle for control of Norman Ross. Discomms, which runs a chain of 40 discount stores in New South Wales and Queensland.

Last week, Grace Brothers, one of Australia's biggest retailers, announced a A\$16.6m (US\$17.4m) bid for Norman Ross, after disclosing that it held virtually 20 per cent of the shares.

But a rival stake, also of 20 per cent, has been established by Waitons Bond, the property and retailing arm of the Bond Corporation, the main investment vehicle of Mr Alan Bond, the Perth businessman.

Last week, Bond Corporation raised almost A\$150m with the sale of its Cooper Basin oil and gas assets, comprising its stakes in Santos and in Reef Oil and Basin Oil.

Norman Ross is 40 per cent controlled by its founders, Mr Gerry Harvey and Mr Ian Norman. The company went public in 1972.

The Grace Brothers' bid values Norman Ross at A\$5 a share. Mr Harvey said last night: "If you revolve certain properties, and take in the latest profits, due in three weeks, you get an asset backing for the shares close to A\$7-A\$7.50." The 1980-81 profit was A\$2.55m.

Bancom International in reverse takeover

BY ROBERT COTTRELL IN HONG KONG

BANCOM INTERNATIONAL, a private Hong Kong deposit-taking company with other financial interests, is going public via a reverse take-over of Alexandra Kniters, a locally-quoted former textile company.

Alexandra holds cash and property interests which it says have a total worth of HK\$25.3m (US\$4.3m). It will acquire Bancom through the issue of 55m new shares to Bancom's seven shareholders, leaving the Bancom investors with 77.2 per cent of the enlarged group.

Bancom's net assets stand at HK\$125.4m so the net effect of the take-over will be to increase Alexandra's net assets by 36 per cent to HK\$2.12 per share, HK\$85m (US\$11.2m) flotation also forecasts a dividend for the

current year at least equal to last year's 13 cents.

Bancom is mainly involved in deposit-taking, trade finance and money market activities. It also owns 45 per cent of Bancom Finance, a brokerage company.

The Hong Kong Securities Commission has waived any obligation for the Bancom group to bid for the outstanding shares in Alexandra, as would normally be required of an investor acquiring more than 35 per cent of a company.

The deal remains conditional on approval from Alexandra's shareholders, and agreement from local stock exchanges to quote the new shares.

● PANIN HOLDINGS, a financial holding company, plans a HK\$65m (US\$11.2m) flotation on the Hong Kong stock mar-

ket. Its principal interests are in finance-related activities in Hong Kong, commercial banking in Macao, and non-life insurance.

Panin was incorporated in December 1980 as the holding company for interests controlled by Mr George Lee, who is also vice-chairman of the Overseas Trust Bank and Hongkong Industrial and Commercial Bank. Mr Lee's Liberian-registered company Samba currently owns 63.75 per cent of Panin. A further 29.10 per cent is controlled by Middle Eastern investors including the Arifin group. Arifin is a Bermuda-registered Arab-owned investment banking and venture capital company.

Panin's net tangible assets are said to be HK\$334.3m, while after-tax profits for 1981 totalled HK\$17.5m.

The company's present issued share capital comprises 187m shares of HK\$1. The flotation issue will comprise 54m new shares at HK\$3.20 each, underwritten by Schroders and Chartered, the merchant bank. Net tangible assets are stated at HK\$1.36 a share on the capital as enlarged by the issue. The flotation will reduce Samba's holding to 49.58 per cent.

Panin forecasts profits of at least HK\$31m for the current year and a final dividend of seven cents.

The company plans to increase its activities in the Asia-Pacific region and in the Middle East, broadening the scope of business into commodities and securities trading as well as property investment.

U.S. \$10,000,000

IBJ

The Industrial Bank of Japan, Limited
London

Floating Rate London-Dollar Negotiable
Certificates of Deposit due 9th December, 1982

In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 9th June, 1982 to 9th December, 1982, the Certificates will carry an Interest Rate of 15 1/2% per annum. The relevant Interest Payment Date will be 9th December, 1982.

Credit Suisse First Boston Limited
Agent Bank

The Bank of Tokyo, Ltd.

Sutherland House,
3 Chater Road, Central
Hong Kong

NEGOTIABLE FLOATING RATE U.S. DOLLAR CERTIFICATES OF DEPOSIT SERIES 104 DUE 10TH JUNE 1985.

We hereby certify that the rate of interest payable on the above mentioned Certificates of Deposit for the interest period beginning on 9th June, 1982 and ending on 9th December, 1982 is 15 1/2% per annum.

Agent Bank:
Morgan Guaranty Trust Company
Hong Kong

tp

BANCO DE LA PROVINCIA DE BUENOS AIRES

U.S. \$30,000,000 Floating Rate Notes Due 1986

For the six months
7th June, 1982 to 7th December, 1982
the Notes will carry an interest rate of 15 1/2% per annum.

Bankers Trust Company, London
Fiscal Agent

THE DREYFUS INTERCONTINENTAL INVESTMENT FUND N.V.

DECLARATION OF DIVIDEND

At the Annual General Meeting of The Dreyfus Intercontinental Investment Fund N.V., held in Curaçao on May 3, 1982, the Shareholders of the Fund, acting upon the recommendation of the Fund's Board of Directors, declared a dividend of \$0.10 (U.S.) per share to Shareholders of record on May 21, 1982. This dividend is payable on June 15, 1982 to holders of bearer shares upon surrender of Dividend Coupon No. 12 as attached to the share certificate, to one of the officials of the paying banks listed below. This distribution is being made from net investment income.

Morgan Grenfell & Co. Limited 23 Great Winchester Street London EC2P 2AX England	Deutsche Bank AG Grosse Galluistr. 10-14 6 Frankfurt/Main 1 West Germany
Banque Internationale à Luxembourg 2, Boulevard Royal Luxembourg-Ville Luxembourg 2205	RoyWest Trust Corporation (Bahamas) Limited Mutual Funds Department P.O. Box N7788 Nassau, Bahamas Islands

Dividends payable on shares held in a Dreyfus Intercontinental Voluntary Account will either be paid directly to the Account holder or automatically reinvested, depending upon the election made by the Account holder when his Account was established.

Reports are available at the offices of the above-mentioned paying banks or at
Dreyfus GmbH,
Maximilianstr. 24, 8 Munich 22, West Germany.

BANK OF INDIA, LONDON

US\$20,000,000
NEGOTIABLE FLOATING RATE U.S. DOLLAR CERTIFICATES OF DEPOSIT DUE 9 DECEMBER 1982 EXTENDABLE TO 1983

In accordance with the provisions of the Certificates, notice is hereby given that for the interest period from 9 June 1982 to 9 December 1982 the Certificates will carry a rate of interest of 15 1/2 per cent per annum. The relevant interest payment date will be 9 December 1982.

Agent Bank:
CREDIT LYONNAIS
Singapore

Companies and Markets **INTL: COMPANIES & FINANCE**

Air New Zealand aims to shed weight in a return to profit

BY DAI HAYWARD IN WELLINGTON

AIR NEW ZEALAND, the national flag carrier, which lost an estimated NZ\$50m (U.S.\$ 70m) in the year to March 31, has laid plans to return to profitability within two years, and to bring a record profit of NZ\$50m by 1985-86.

The recovery programme—announced by Mr Norman Geary, the recently-appointed chief executive—includes heavy cost-cutting, including sweeping job reductions, starting with the major cut of 1,000 to 7,056 by March 31 next year.

Trimming the company's NZ\$200m annual wage bill is a major part of the recovery programme. Various options include pay cuts, pay pauses for management and staff, loosening of restrictive practices and reductions in allowances. The plans cover staff reductions to 6,928 early in the 1983-84 financial year, and further decreases over the following three years to 6,600 or so.

Air New Zealand aims, on the basis of a skinned-down organisation, to push for new business. Aggressive marketing programmes are to be introduced.

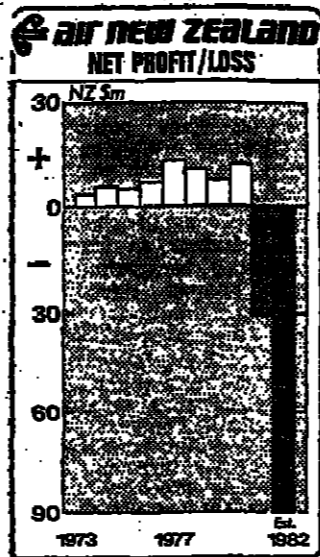
A new direct service from Auckland to London is to start on August 25. At present, plans are to land at Gatwick, but if the New Zealand Government is successful in negotiating landing rights at Heathrow, Air New Zealand regards itself as winning a home. The airline is also to expand its services in Asia. Sales promotions are to be geared to attracting more young people to travel at an early age, as well as increasing the numbers of tourists and visitors to New Zealand.

The plans now being laid down by Air New Zealand arise from an internal review of the way the airline should be run, but also are revealed shortly after the presentation of a report on the working of the airline by Colker and Associates, the U.S. consultants, commissioned by the New Zealand Treasury—the Government owns the airline—and result in "essence" from the plunge in recent years in the airline's fortunes.

Four years ago, Air New Zealand was one of the world's few international airlines making a profit. Its position changed

after a series of economic blows. These included the worldwide grounding of the McDonnell Douglas DC10s by the U.S. Federal Aviation Administration for safety reasons three years ago, problems connected with the merger of New Zealand's internal and overseas air operations, and then, tragically, the air disaster on Mount Erebus, the Antarctic

prove over optimistic. The analysis was sought by New Zealand's Treasury, which will have to make good last year's loss. The investigation, however, carried out by Colker officials who cross-examined managerial staff in Auckland at all levels, went much beyond the original financial audit. It provided a 250-page report for the New Zealand Cabinet.



recommended that the board of directors should be enlarged to include representatives of labour organisations and of the flight crew.

In the past Air New Zealand has expressed pride in its profitable service and maintenance divisions, which supply catering and engineering facilities to other airlines flying into Auckland. However, the authors of the report said these should be separated from the airline and operated as independent organisations, tendering for Air New Zealand's work and competing for work from other airlines.

The report compared Air New Zealand unfavourably, in terms of its size, staff numbers and management efficiency, with comparable airlines in the U.S.

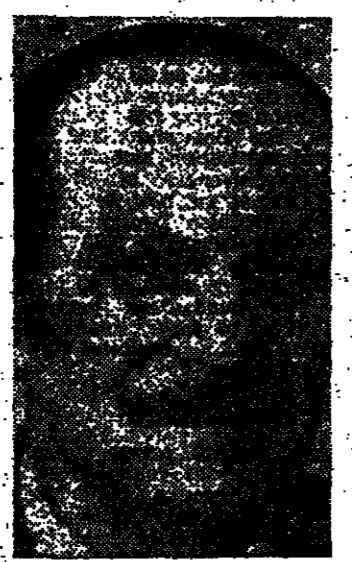
"Air New Zealand management's structure represents a cumbersome bureaucracy characterised by excessive layers of managers and personnel. Decisions are prone to be poorly constructed and ill-timed, and can slip by without adequate challenge."

The airline, the report suggested, should provide the New Zealand Treasury with a three-year forward forecast of its financial operations. This would enable the Treasury and the Government to estimate the amount required from the taxpayer to meet future financial losses. The Government could then decide on whether the public benefits from running a national airline outweighed the public costs of meeting losses.

One solution might be to merge with an Australian airline, to operate on a regional basis. In making this suggestion the Colker Report was echoing recommendations put forward some years ago, when a merger between Air New Zealand and the Australian national airline, Qantas was mooted.

Mr Bob Owens, the chairman of Air New Zealand, has, however, dismissed such an idea—which is one that does not, in any case, lend itself towards the favour of the New Zealand public.

Mr Norman Geary (left), recently took over as chief executive of Air New Zealand, and is handling the streamlining of the company, with a view to its returning to profit in two years. Heavy staff cuts are among the moves being made, which he believes are recognised by most employees.



Mr Robert Muldoon, the Prime Minister, released a 17-page summary for the public.

The Colker report recommended staff cuts in all areas, from pilots to cabin crew. Air New Zealand had acquired a reputation of becoming a vast employment agency and its over-staffing was well known within New Zealand. Under union agreements, one cabin crew member had to be allocated to every 32 seats—whether these had passengers or not.

About NZ\$3m could be saved by cutting 170 from cabin crew, and another NZ\$5m by reducing ticketing and sales staff by 250, said the report.

The report also made a call for the airline's streamlining its management structure and trimming costly work rules. The report conceded that large scale dismissals faced the possibility of bringing strong industrial opposition, and

IC Industries
REPORT

PET AND HUSSMANN
1973-1981

How do companies fare after IC Industries acquires them?

Pet and Hussmann, acquired in 1978, produced \$57 million in pre-tax income that year. In 1981, their combined pre-tax income reached \$95 million, an increase of 63 percent.

What happened?
For one thing, low-margin product lines were divested. And strong ones, given more support, increased their market shares.

Other IC Industries acquisitions have fared, too. Midas pre-tax income was \$22 million in 1981, compared with \$9 million in 1971, the year prior to acquisition. And, Pepsi-Cola General Bottlers has enjoyed a 22 percent compound growth rate since its acquisition in 1970.

For all of IC Industries, 1981 net income reached a record high of \$134 million. Up from \$121 million in 1980.

Primary earnings per common share increased 10 percent, to \$6.65. Over the past five years, net income increased at a 17 percent compound annual growth rate. Primary earnings per share from continuing operations increased at a 15 percent rate.

"Growth by design." It's more than a slogan. It's a statement of accomplishment.

For more information, please write: IC Industries, Inc., European Office, 55, ch. Moise-Duboule, CH-1209 Geneva, Switzerland.

IC Industries
Growth by design.

Diversified in six business units: Abex, Pet, Hussmann, Pepsi-Cola General Bottlers, Midas, Illinois Central Gulf Railroad.

This announcement appears as a matter of record only.



BRISA

AUTO-ESTRADAS DE PORTUGAL S.A.R.L.

US \$50,000,000

Medium Term Loan

Guaranteed by

THE REPUBLIC OF PORTUGAL

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Banco Português do Atlântico
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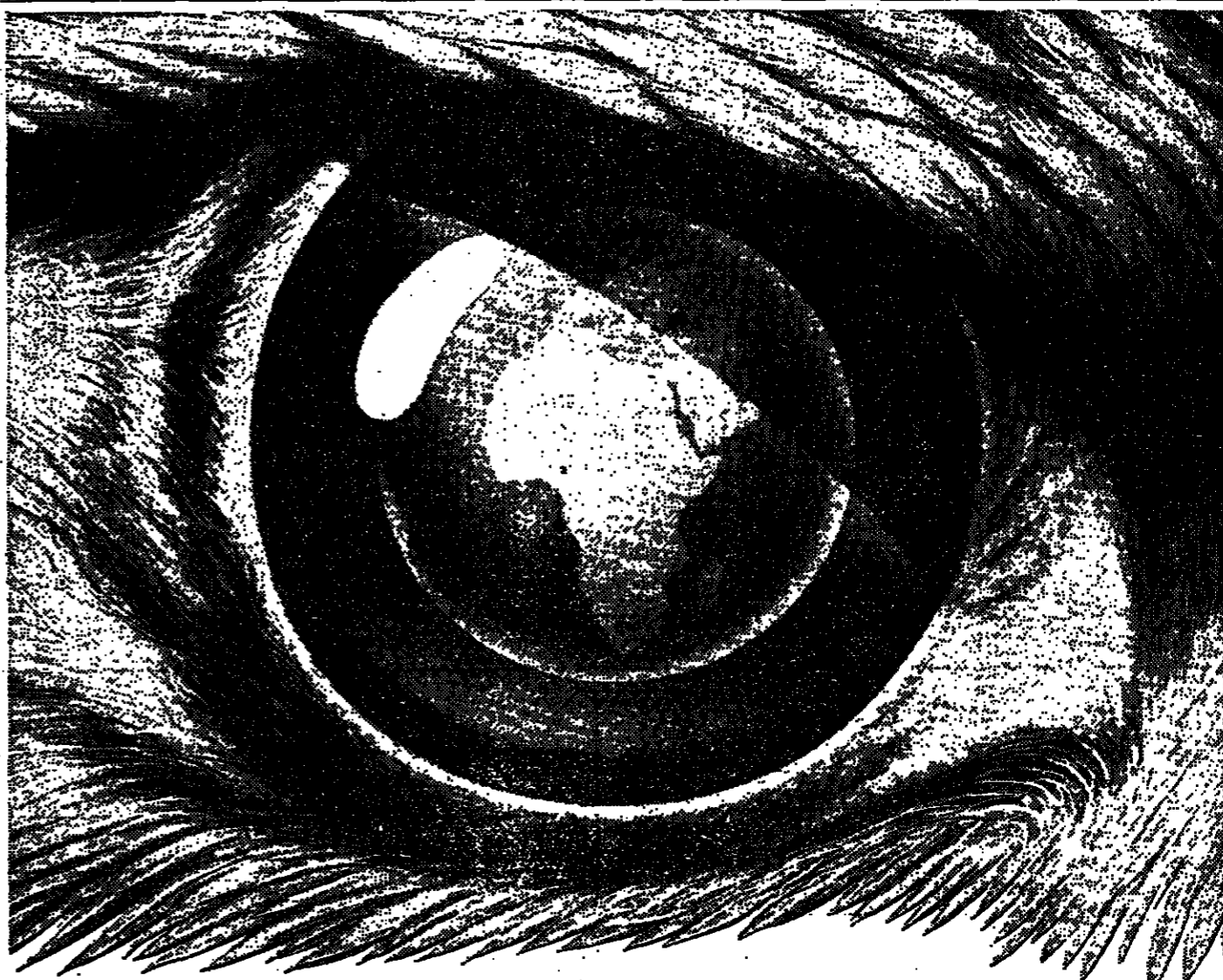
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- Allied Irish Banks Limited
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- Bancomer SA (Mexico), London Branch
- The Bank of New York, New York
- Banque Veuve Morin-Pons
- Canadian Imperial Bank Group
- Christiania Bank og Kreditkasse
- The Commercial Banking Company of Sydney Limited
- Daiwa Bank Trust Company
- European American Finance (Bermuda) Limited
- The First National Bank of Boston
- The Hokuriku Bank, Limited
- Manufacturers Hanover Banque Nordique
- Nippon European Bank, S.A.
- Nomura Europe N.V.
- The Saitama Bank, Ltd.
- Security Pacific Bank
- Takugin International Bank (Europe) SA

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Banco Português do Atlântico, New York



Worldwide field of vision for ABC

As we enter into a new era of Arab Banking internationalization becomes a top priority for Arab Banks. Specialization and the development of expertise command special attention too.

Strong capitalization and the creation of diverse banking services will enable us to primarily cater to the financial needs of our clients in particular and the Arab region in general and allows us to act as conduits for

intermediating their capital resources.

Arab Banking Corporation established branches in London and New York, with another branch to follow shortly in Singapore. Other financial centres are being studied with interest and to coordinate our business development plans in Europe, a representative office has been established in the meantime in London.

Since establishment ABC has

dealt in wholesale banking activities such as interbank deposits and foreign exchange, international syndicated loans and the management of and trading in securities issues, commercial banking and investment advisory services.

Through our branches, additional banking services are offered to meet with our clients and correspondents requirements worldwide.

Arab Banking Corporation (ABC)

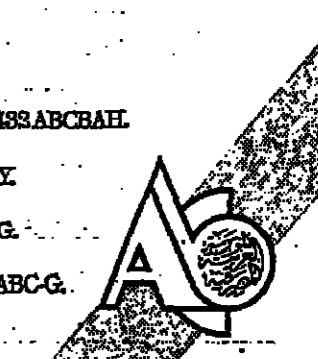
Head Office:
Alfa Building - Diplomatic Area, PO Box 5696 Manama, State of Bahrain. Telephone: 892336. Telex: 9432 ABCBAH.

New York Branch:
245 Park Avenue, New York, NY 10167. Telephone: (212) 850 0600. Telex: 227531 ABCNY.

Arab Banking Corporation (ABC), London Branch. Licensed Deposit Taker:
6-8 Bishopsgate, London EC2N 3AP. Telephone: 01-283 8511. Telex: 833743 ABCGENG.

Continental European Representative Office:
Morgan House, 1 Angel Court, London EC2R 7HL. Telephone: 01-606 5451. Telex: 8956601-2 ABC-G.

The illustration of the eye of a Peregrine Falcon, perched by falconry in the Middle East for the speed and accuracy.



Companies and Markets

WORLD STOCK MARKETS

Wall St mixed at mid-session

NEW YORK

Table of stock prices for various companies in New York, including columns for Stock, June 7, and June 8.

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NEW YORK

INDICES

Table of stock indices for New York, including columns for Index, June 7, and June 8.

STANDARD AND POORS

Table of Standard and Poors indices, including columns for Index, June 7, and June 8.

NEW YORK ACTIVE STOCKS

Table of active stock prices in New York, including columns for Stock, June 7, and June 8.

NEW YORK

Table of stock prices for various companies in New York, including columns for Stock, June 7, and June 8.

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Tokyo

Some export-oriented Precision Instrument, Light Electrical and Motor issues recovered some ground yesterday, but stock prices overall mainly ended narrowly mixed after light trading.

Hong Kong

Shares staged a half-hearted rally on light bargain hunting in extremely thin demand yesterday.

Germany

After Monday's broad retreat, the market started on a hesitant note yesterday due to news of a DM 242m deficit in West Germany's April overall balance of payments.

Australia

Markets drifted slightly easier in quiet and featureless trading with the major miners and gold stocks showing little response to the sharp rally in Gold Bullion in New York overnight.

Canada

Markets in Canada also presented a mixed appearance at mid-day after quiet dealings. The Toronto Composite Index was up a marginal 0.6 at 1,459.7, but the Gold shares index, after rising 52.2 the previous day, receded 23.7 to 1,865.4.

Switzerland

Bourse prices generally declined as volume rose in a late reaction to Monday's increase in Customer Time Deposit rates by Swiss Banks.

Johannesburg

Gold shares were modestly firmer in the rally in the Bullion price. Gains in M&A's were limited to R2.35 in BalfourBeatty R25.

CANADA

Table of stock prices for various companies in Canada, including columns for Stock, June 7, and June 8.

BELGIUM (continued)

Table of stock prices for various companies in Belgium, including columns for Stock, June 7, and June 8.

HOLLAND

Table of stock prices for various companies in Holland, including columns for Stock, June 7, and June 8.

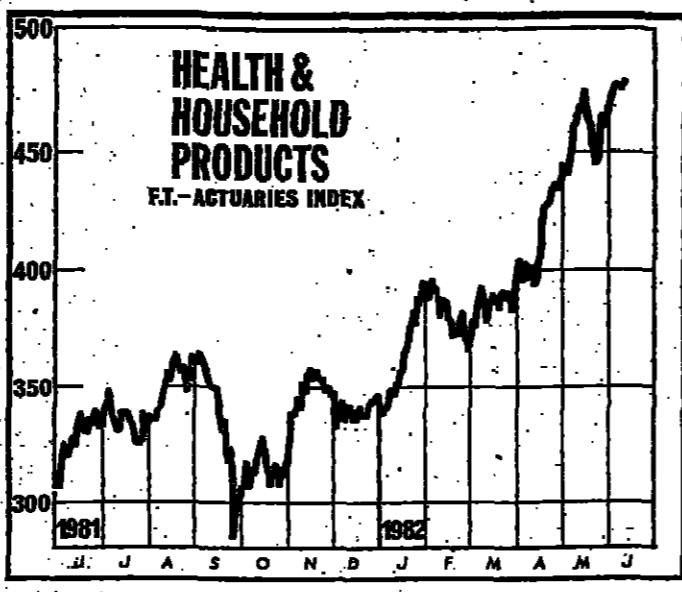
AUSTRALIA

Table of stock prices for various companies in Australia, including columns for Stock, June 7, and June 8.

Notes: Prices on this page are as quoted on the suspended, and as dividend. Individual company names are listed in alphabetical order.

Base rate cuts fail to generate stimulus necessary for 30-share index to break record—Gilts turn dull

Account Dealing Dates... First Declared Last Account Dealings... Clearing bank base rate reductions... A day which thus began promisingly for equities in anticipation of increased investment... The latter particularly affected Government securities...



Health & Household Products FT-Actuaries Index... The trend towards cheaper money prompted fresh support for Building descriptions and Cement issues...

balance at 55p premium, after 59p premium... by a rise of 13 to 48p in British and Commonwealth... St. George's up... Demand ahead of Friday's preliminary results helped Pilkington to close 11 better at 248p...

Table of RECENT ISSUES: EQUITIES. Columns include Issue price, Amount, Date, and Stock names.

Table of FIXED INTEREST STOCKS. Columns include Issue price, Amount, Date, and Stock names.

Table of "RIGHTS" OFFERS. Columns include Issue price, Amount, Date, and Stock names.

Table of FINANCIAL TIMES STOCK INDICES. Columns include Index Name, June 9, June 8, June 7, June 6, June 5, June 4, June 3, June 2, June 1, and Year ago.

St. George's up... Demand ahead of Friday's preliminary results helped Pilkington to close 11 better at 248p among mixed miscellaneous industrial leaders...

Gold shares advance... Gold shares made another bright showing, boosted by yesterday's further rise in the bullion price...

Reconstruction date usually last day for doing free of stamp duty... based on prospectus estimates...

Table of ACTIVE STOCKS. Columns include Stock Name, Closing price, Day's change, and Day's % change.

Table of HIGHS AND LOWS. S.E. ACTIVITY. Columns include Stock Name, High, Low, and S.E. Activity.

Oil quiet... Oils usually closed a shade cheaper after a slow trading session...

Rises and falls yesterday... British Funds rose 7 5/8 to 30... Foreign Bonds rose 20 3/4 to 54...

Table of MONDAY'S ACTIVE STOCKS. Columns include Stock Name, Monday's price, and Monday's % change.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-ACTUARIES SHARE INDICES. Columns include EQUITY GROUPS & SUB-SECTIONS, Index Name, Index No., and Year Ago.

Table of FIXED INTEREST. Columns include PRICE INDICES, Index Name, Index No., and Year Ago.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982

Table of NEW HIGHS AND LOWS FOR 1982. Columns include Stock Name, High, and Low.

OPTIONS

First Last Last For Deal- Declared Settling- ings tion ment... Stocks to attract money for the call included J. Heyworth, Electro Protective, Loos, UDS, Black & Veitch, Citicorp, Petrochem, ICL, Barker and Dobson, First National Finance, Central and Sherwood, Imperial Group, Pacific Copper, Premier Consolidated, Town and City and Leadbrooke. Calls were arranged in Glaxo, Fisons and Imperial Group, while double options were transacted in Electro Protective, Town and City and Premier Consolidated.

London Clearing Banks' balances as at May 1982

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive bank and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

Table 1: AGGREGATE BALANCES. Table 2: INDIVIDUAL GROUPS OF BANKS' BALANCES. Table 3: INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES.

Table 4: ELIGIBLE LIABILITIES. Columns include Stock Name, Index Name, and Index No.

CURRENCIES and MONEY

Dollar in demand

Dollar demand increased yesterday, encouraged by the firmness of Eurodollar interest rates, and the growing conflict in the Middle East following the advance by Israel deep into the Lebanon. The U.S. currency opened firm, and rose further in the afternoon when U.S. centres began trading.

Sterling lost ground to the dollar, but was firm overall despite the cut in UK bank base lending rates. DOLLAR — Trade-weighted index (Bank of England) 116.6 against 115.9 on Monday, and 106.5 six months ago. Three-month Treasury bills 12.14 per cent (12.23 per cent six months ago). Annual inflation 6.6 per cent (6.8 per cent previous month). The dollar rose to DM 2.4050 from DM 2.3820 against the D-mark, to Ffr 6.24 against the Ffr 6.20 against the French franc; to SwFr 2.0435 from SwFr 2.03 in terms of the Swiss franc; and to Y246.90 from Y245.75 against the Japanese yen.

STERLING — Trade-weighted index was unchanged at 91.1 after standing at 91.1 at noon and in the morning. It was 91.7 six months ago. Three-month interbank 12.14 per cent (14.1 per cent six months ago). Annual inflation 9.4 per cent (10.4 per cent previous week). The pound opened at \$1.7945-1.7955, and touched a peak of \$1.7950-1.7960 in the morning. It fell to \$1.7855-1.7865 in the afternoon, and closed at \$1.7815-1.7825, a fall of 1 cent on the day. Sterling rose DM 4.2775 from DM 4.27, to Ffr 11.1175 from Ffr 11.1075; and to SwFr 3.9425 from SwFr 3.94, but eased to Y440.50.

D-MARK — EMS member (strongest). Trade-weighted index 123.7 against 123.7 on Monday, and 122.3 six months ago. Three-month interbank 12.25 per cent (16.25 per cent six months ago). Annual inflation 5.3 per cent (5.0 per cent previous month). The D-mark regained ground against the dollar, at the Frankfurt auction may have supported by the Bundesbank.

In the afternoon the U.S. currency continued to advance, finishing at the day's high of DM 2.3956, after rising to DM 2.3668 from DM 2.3360 at the fixing. Eurodollar rates declined from highs touched at noon, but the U.S. unit probably gained support from growing instability in the Middle East, and Chancellor Schmidt's recent local election reverses. Sterling rose to DM 2.3796 from DM 2.4240 at the fixing, and the Swiss franc to DM 1.1743 from DM 1.1684. The French franc also advanced as the D-mark sought to change against its EMS partners.

FRENCH FRANC — EMS member (central position). Trade-weighted index was unchanged at 79.3 against 80.6 six months ago. Three-month interbank 16.1 per cent (15.7 per cent six months ago). Annual inflation 12.9 per cent (14.1 per cent previous month). Very high short term Euro French franc interest rates eased from the immediate pressure on the franc yesterday. It gained ground against all the other members of the EMS at the Paris fixing, including the strong D-mark which rose to Ffr 2.022 from Ffr 2.045. The dollar fell to DM 6.2075 from DM 6.2135, and sterling to DM 11.1070 from DM 11.1080. The only major currency to advance against the franc was the Swiss franc which rose to Ffr 3.0495 from Ffr 3.0418.

JAPANESE YEN — Trade-weighted index 194.2 against 194.7 on Monday, and 145.9 six months ago. Three-month bills 21.875 per cent (17.5625 per cent six months ago). Annual inflation 2.8 per cent (unchanged from previous month). The yen improved slightly against the dollar in Tokyo, after some intervention by the Bank of Japan. The intervention was limited to Y245.65, compared with Y245.70 on Monday. It opened at Y245.20, and traded within a narrow range of Y245.50 to Y245.75. The scale of central bank support for the yen was not large, but fear the dollar's advance.

THE POUND SPOT AND FORWARD

Table with columns: Day's spread, Close, One month, % Three months, % Six months. Rows include U.S., Canada, Ireland, Belgium, Denmark, W. Ger., Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, and Swiss.

THE DOLLAR SPOT AND FORWARD

Table with columns: Day's spread, Close, One month, % Three months, % Six months. Rows include U.K., Ireland, Canada, Netherlands, Belgium, Denmark, W. Ger., Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, and Swiss.

CURRENCY MOVEMENTS

Table with columns: Bank of England, Morgan Guaranty, Sterling, U.S. dollar, Australian dollar, etc.

OTHER CURRENCIES

Table with columns: June 8, Note Rates, Argentina, Australia, Brazil, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: ECU, Currency amounts, % change from central rates, % change from adjusted for divergence, Divergence limit %.

EXCHANGE CROSS RATES

Table with columns: June 8, Pound Sterling, U.S. Dollar, Deutschmark, Japanese Yen, etc.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 8)

Table with columns: 3 months U.S. dollars, 6 months U.S. dollars, bid 14 15/16, offer 15 1/16.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table with columns: June 8, Sterling, U.S. Dollar, Canadian Dollar, Dutch Guilder, etc.

MONEY MARKETS

Bank base rates cut to 12 1/2%

Clearing bank base lending rate 12 1/2 per cent (since June 8). Clearing bank base rates were cut to 12 1/2 per cent yesterday from 13 per cent while deposit rates for seven days fell 9 1/2 per cent from 10-10 1/4 per cent. Yesterday's cut followed a downward trend in UK interest rates recently, culminating in a reduction in Bank of England selling rates on Monday, as the market looked beyond a military tit-for-tat to the current Falkland Islands crisis and focused on recent encouraging economic indicators. Short term interest rates were correspondingly lower yesterday and the Bank of England reduced its money market intervention rates for the day's running.

The Bank of England forecast a shortage of £200m in the money market with factors affecting the market including bills maturing in official hands £115m, Exchequer transactions £50m and bankers balances below target £130m. On the other hand there was a fall in the note circulation of £130m. The Bank gave assistance of £231m in the morning by purchasing £12m of eligible bank bills in band 1 (up to 12 1/2 per cent) and £168m in band 2 (15-33 days) at 12 1/2-12 1/4 per cent. In band 3 (34-63 days) it bought £10m at 12 1/4 per cent and in band 4 (64-94 days) £24m at 12 1/2 per cent. It also bought £17m of local authority bills in band 4 (64-94 days) at 12 1/2 per cent. During the afternoon the forecast was revised to a shortage of around £250m, before taking into account the morning's operations, and the Bank gave additional help of £20m, making a grand total of £251m. The afternoon help comprised purchases of £10m of local authority bills in band 4 at 12 1/2 per cent and £10m of eligible bank bills at 12 1/2 per cent. Discount houses were paying between 12 per cent and 12 1/2 per cent for secured call loans while overnight interbank money opened at 13 1/4 per cent before slipping to 11 1/2 per cent. Closing balances were taken at 15 per cent lower.

EUROCURRENCIES

Eurodollars firmer

Euro-dollar rates were generally firmer yesterday, reflecting concern over increased tension in the Middle East as fighting between Israel and Syria intensified. Euro-sterling rates were a little easier following a half point cut in clearing bank base rates as the dollar's performance in forward trading reflected this widening of differentials, being quoted with an increased discount against the pound. French interest rates registered a further rise and the franc showed a wider discount against the dollar in the forward market as the authorities sought to underpin the franc by making it very expensive to run short of the French currency, with short-term rates quoted as high as 80 per cent. Belgian rates were a little easier and the Belgian franc showed an improvement in forward trading.

ONEY RATES

Table with columns: NEW YORK, 3 months, 6 months, 9 months, 12 months.

LONDON MONEY RATES

Table with columns: June 8 1982, Sterling, Local deposits, Local authority, Finance, etc.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS. Large table listing various trust companies and their services, including Abbey Unit Tr. Mgmt., Abbey Unit Tr. Mgmt. (2), Abbey Unit Tr. Mgmt. (3), etc.

INSURANCES

Table listing various insurance companies and their products, including Abbey Life Assurance Co. Ltd., Abbey Life Assurance Co. Ltd., and others.

Table listing insurance companies and their products, including Life Assur. Co. of Pennsylvania, Norwich Union Insurance Group, and others.

Table listing insurance companies and their products, including Lloyd's Life Assurance, Standard Life Assurance Company, and others.

Table listing insurance companies and their products, including Sun Alliance Insurance Group, British and Foreign Assurance Co. Ltd., and others.

Table listing insurance companies and their products, including Sun Life of Canada (USA) Ltd., Sun Life of Canada (UK) Ltd., and others.

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Table listing insurance companies and their products, including Sun Life of Canada (USA) Ltd., Sun Life of Canada (UK) Ltd., and others.

INSURANCE & OVERSEAS MANAGED FUNDS

Table listing insurance and overseas managed funds, including Life Assur. Co. of Pennsylvania, Norwich Union Insurance Group, and others.

Table listing insurance and overseas managed funds, including Sun Alliance Insurance Group, British and Foreign Assurance Co. Ltd., and others.

Table listing insurance and overseas managed funds, including Sun Life of Canada (USA) Ltd., Sun Life of Canada (UK) Ltd., and others.

Table listing insurance and overseas managed funds, including Sun Life of Canada (USA) Ltd., Sun Life of Canada (UK) Ltd., and others.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas managed funds, including Adly Investment, Franklin Trust Investment, and others.


Table listing offshore and overseas managed funds, including Sun Life of Canada (USA) Ltd., Sun Life of Canada (UK) Ltd., and others.

Table listing offshore and overseas managed funds, including Sun Life of Canada (USA) Ltd., Sun Life of Canada (UK) Ltd., and others.

NOTES
Prices are in pence unless otherwise indicated and have declined 5% with an uplift refer to U.S. dollars. Yield % shown in parentheses allow for all charges except commission & other periodic expenses. A 10% yield based on offer price is estimated. A 10% yield based on offer price is estimated. A 10% yield based on offer price is estimated.

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FT SHARE INFORMATION SERVICE

FOOD, GROCERIES—Cont.

LOANS—Continued

High	Low	Stock	Price	Chg	Vol	High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100	100	99	FFI 12/82	100.00	0.00	100
100	99	FFI 12/82	100.00	0.00	100	100	99	FFI 12/82	100.00	0.00	100

BANKS & H.P.—Cont.

High	Low	Stock	Price	Chg	Vol	High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100	100	99	FFI 12/82	100.00	0.00	100

CHEMICALS, PLASTICS—Cont.

High	Low	Stock	Price	Chg	Vol	High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100	100	99	FFI 12/82	100.00	0.00	100

ENGINEERING—Continued

High	Low	Stock	Price	Chg	Vol	High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100	100	99	FFI 12/82	100.00	0.00	100

FOOD, GROCERIES—Cont.

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

HOTELS AND CATERERS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

INDUSTRIALS (Misc.)

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

Five to Fifteen Years

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

Over Fifteen Years

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

Undated

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

Index-Linked & Variable Rate

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

CORPORATION LOANS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

COMMONWEALTH AND AFRICAN LOANS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

LOANS Public Bond and Ind.

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

FOREIGN BONDS & RAILS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

AMERICANS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

Hire Purchase, etc.

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

BEERS, WINES AND SPIRITS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

BUILDING INDUSTRY, TIMBER AND ROADS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

BANKS AND HIRE PURCHASE

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

DRAPERY AND STORES

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

ELECTRICALS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

FOOD, GROCERIES, ETC.

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

CHEMICALS, PLASTICS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

ENGINEERING MACHINE TOOLS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

DRAPERY AND STORES

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

ELECTRICALS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

FOOD, GROCERIES, ETC.

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

CHEMICALS, PLASTICS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

ENGINEERING MACHINE TOOLS

High	Low	Stock	Price	Chg	Vol
100	99	FFI 12/82	100.00	0.00	100

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- How to speculate professionally in commodities.
- Commodities as an alternative economic investment.
- Current opportunities for speculating in gold.
- How to maximise your returns in hedging your fixed-income portfolio, through the Financial Futures markets.

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FINANCIAL FUTURES MARKET (LIFFE)
—OPENING IN SEPTEMBER.

Handwritten note: "مركزنا لاجل"

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and various engineering firms. Columns include stock name, price, and percentage change.

LEISURE—Continued

Table of leisure and entertainment stocks such as British Telecommunications, British Airways, and various media companies.

PROPERTY—Continued

Table of property and real estate related stocks including various investment trusts and land development companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts across various sectors like infrastructure, infrastructure, and general investment trusts.

OIL AND GAS—Continued

Table of oil and gas related stocks including major oil companies and gas producers.

DAIWA SECURITIES logo and branding for International Finance.

MINES—Continued

Table of mining stocks categorized by region: Central African, Australian, and Tins. Includes company names and market data.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including manufacturers and distributors.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing stocks such as News International and other media groups.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including publishers and media companies.

SHIPPING

Table of shipping and maritime stocks including shipping lines and related services.

SHOES AND LEATHER

Table of shoes and leather goods stocks including manufacturers.

SOUTH AFRICAN

Table of South African stocks including various local companies.

TEXTILES

Table of textile and clothing stocks including manufacturers.

TOBACCO

Table of tobacco stocks including major producers.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land investment stocks.

PROPERTY

Table of property and real estate investment trusts.

OVERSEAS TRADERS

Table of overseas trading companies and their stock prices.

RUBBERS AND SISALS

Table of rubber and sisal stocks including producers.

TEAS

Table of tea stocks including major producers.

India and Bangladesh

Table of stocks from India and Bangladesh.

Sri Lanka

Table of stocks from Sri Lanka.

MINES

Table of mining stocks from various regions.

NOTES

Notes and disclaimers regarding the accuracy of the data and the responsibility of the publisher.

REGIONAL MARKETS

Table showing regional market indices and performance.

OPTIONS

Table of options contracts and their market data.

INSURANCE

Table of insurance stocks including various providers.

LEISURE

Table of leisure and entertainment stocks.

PROPERTY

Table of property and real estate stocks.

OIL AND GAS

Table of oil and gas stocks.

Diamond and Platinum

Table of diamond and platinum stocks.

Getatable NEWPORT
For details of industrial development sites contact Steve Wehrle, Dept. FT, The Civic Centre, Newport, Gwent. Tel: (0633) 85491.

FINANCIAL TIMES

Wednesday June 9 1982

FLYGT
WORLD LEADERS IN SUBMERSIBLE PUMPS
Nottingham NG2 2412ST

EEC renews steel controls

BY JOHN WYLES IN LUXEMBOURG

THE EUROPEAN Community's mandatory controls on steel production were renewed in Luxembourg for another year yesterday after Italy allowed its objections to be overridden.

BRITAIN and France are on the verge of settling their dispute over fishing rights in British coastal waters. It talks succeed fully they could remove the most acrimonious stumbling block to the establishment of an EEC Common Fisheries Policy...

Patrick Jenkin, Britain's Industry Secretary, felt unable to press the issue because British trade statistics are still several months in arrears.

According to Mr Jenkin, ministers also acknowledged that existing closure plans will still leave too much surplus production capacity by 1985. He said they agreed on the need for a 30m tonnes cutback in the next three years...

his efforts to have special steels included in the production quota regime, but the European Commission has agreed to monitor imports into the UK and to report back in October.

Mr Bill Sirs, general secretary of the UK Iron and Steel Trades Federation, who was also in Luxembourg, said no further cuts should be allowed in the British steel industry.

The other significant change is that the number of small producers eligible for possible special treatment on quotas has been increased by a rise in the production limitation from 60,000 to 100,000 tonnes a year.

The impact of the 12 month quota regime has been to increase prices of about 25 per cent which has reduced losses across the EEC industry and facilitated the tightening of controls on government help.

It has created special problems for Italy, however, which took up a considerable amount of Ministers' time yesterday. Rome requested a 730,000-tonne increase in quotas for its producers on a variety of grounds.

Yorkshire miners join NHS pay dispute

By Brian Groom, Labour Staff

HEALTH SERVICE unions claimed success last night as more than 60,000 miners and other non-NHS workers joined their 24-hour strike in support of a 12 per cent pay claim.

But in the Commons, Mr Norman Fowler, Social Services Secretary, gave no indication that he was prepared to make concessions.

The Yorkshire coalfield was brought to a near-standstill as 42,000 miners walked out in support, halting 47 out of 87 pits. Production of 100,000 tonnes of coal worth £3m was lost.

Two days were not used during the day but in Northern Ireland, the Royal Ulster Constabulary and the Knights of Malta stepped in to provide emergency ambulance cover.

Insufficient emergency cover was also reported in some places, including hospitals in Leeds, Rotherham, St Helen's and Tooting, South London. Management and staff volunteers provided cover.

The Department of Health and Social Security acknowledged this was the biggest strike so far, with the strongest action in some parts of the North, particularly Yorkshire.

But unless U.S. rates fell steadily there is not much at present to justify a significant further decline in the cost of money in London.

THE LEX COLUMN

Bank lending on parole

Index rose 1.4 to 594.0

Bank base rates were trimmed by half a point to 12 1/2 per cent yesterday—most of the clearer cultivated their margins by lowering deposit rates by 3/4 point—and the Bank of England gave its blessing to the whole operation by a wholesale reduction in its bill dealing rates.

The public sector's return to its normal state of financial deficit after an exceptionally long tax-paying season was always going to reduce the total of private sector loan demand last month. In the light of this the fall from a recent average of £1.5bn to £1bn or so, seasonally adjusted, is really no better than it ought to be.

Once again the personal sector is making all the running. It may be argued that its behaviour as a borrower is not going to be affected by the odd half point of interest rates, and that recent declines in nominal rates have simply kept real rates rising and choking off a feeble economic recovery.

The FT-All-Share Index has broken new ground this week against a background of painfully slow economic recovery and unresolved conflict in the South Atlantic.

poor performance from the new business. But more worrying for the group has been the pressure on brewing volume. Turnover in drinks overall is up a mere 2 per cent, implying a volume decline approaching 10 per cent.

With one of the narrowest trading bases of the big brewers, Bass has been particularly vulnerable to the fall in beer consumption, while it seems — with hindsight — to have under-estimated the benefits enjoyed from the Ansell's strike in the corresponding period.

The market is underpinned by the strength of institutional cash flow, which so far this year has found little outlet in new equity offerings. It also looks more attractive in relation to gilt-edged, now that the yield gap between the All-Share and high coupon 25-year stocks has fallen to 7 per cent.

Midland Bank

Like Barclays a few months ago, Midland Bank has come to the sterling market for loan capital — only it is picking up its £100m on a yield some 1.5 percentage points below its rival. Charging bond interest is a less offensive way of reducing taxable profits than elaborate leasing schemes, and a 14 per cent coupon, allowable for tax, makes much more sense than the issue of new shares on a yield of perhaps 12 per cent payable out of net income.

£100m loan stock issue by Midland

By Alan Friedman

MIDLAND Bank has become the second British bank this year to raise £100m through a 25-year unsecured loan stock.

The issue bears a 14 per cent coupon—the fixed rate of interest—and is priced at a small discount so that a buyer pays £98.55 for every £100 of stock. This provides a yield of 14.22 per cent at redemption.

The Midland issue came four months after Barclays Bank decided to pay 16 per cent on its £100m, 25-year loan stock, an issue which ranked as the largest, straight, fixed-interest stock for a commercial UK borrower in the domestic market.

The issue, whose price gives it an interest margin of 0.9 of a percentage point over a basket of three Government stock issues, is to improve Midland's capital base. Barclays Bank, when it launched its loan stock in early February, said it was paying about three-quarters of a percentage point over the going rate for comparable Government stock issues.

Mr Charles Davies, Midland's assistant general manager (finance), said last night: "This bond is designed to increase our free capital ratio, which was getting low and could have inhibited the natural growth of the bank."

At the last year-end Midland Bank's free capital ratio—the bank's adjusted base against deposit liabilities—stood at 2.5 per cent. The addition of £100m to the capital base will nudge the ratio up to 3.8 per cent.

Mr Davies said the bank had decided to launch the £100m, 2002-07 issue in sterling, partly because it had relatively little subordinated debt (that which ranks behind depositors' debt with the bank) in that currency. At the last count, Midland had £1,584m (£272m) of the American currency, £318m (£42.2m) in the German currency, and less than £100m in British currency.

On a fixed-rate coupon basis, Midland is paying 2 per cent less for its money than Barclays; the issue price suggests an underlying saving of 1 1/2 per cent.

Placing of the issue was completed last night by Samuel Montagu, Midland's merchant bank subsidiary. Stockbroker to the issue is Cazenove and Co.

Continued from Page 1

Reagan

strongly denying that it involved "cultural imperialism". Mr Reagan said that the U.S. planned to consult leaders of other nations on the scheme. He pointed to a Council of Europe proposal to invite parliamentarians from democratic countries to a meeting in Strasbourg next year as a possible opportunity to conduct such consultations.

Output prices rise 0.5%

BY ROBIN PAULY

MANUFACTURERS' OUTPUT prices increased by only 0.5 per cent last month. The annual rate of increase of industry's raw material costs fell to its lowest since November 1978.

These new figures have given a boost to Government optimism that inflation is well under control after sharp rises in the monthly figures for April caused some temporary anxiety.

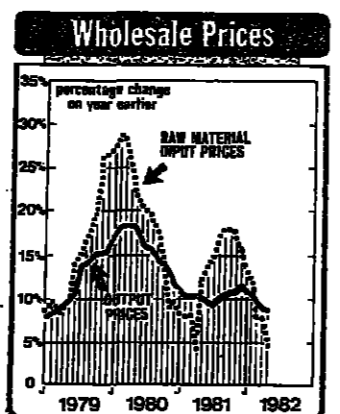
Output prices—the prices charged by manufacturers to wholesalers—are a reliable early signal of the movement of inflation as measured by prices of goods in the shops.

The annual rate of retail price rises is already in single figures, and yesterday's figures indicate that further reductions are likely.

The Industry Department said that output prices rose by 0.5 per cent in May compared with April. This took the index for the factory-gate prices of British manufactured goods to 238.3 (1975=100).

The year-on-year increase fell to 8.7 per cent, compared with 8.8 per cent in April, the fifth consecutive fall. The annual rate is now at its lowest level since February 1979.

The index for cost of



The change in the index on a year ago basis fell sharply from 7.73 per cent in April to 4.75 per cent in May. Lowest figure since November 1978 and the seventh consecutive fall in the annualised rate.

There could be further falls, depending on the movement of sterling against the dollar.

The principal cause of the output prices rise in May was dearer tobacco products. Though the input index fell, part of the benefit of cheaper fuel was offset by higher prices for materials, bought by food-manufacturing industries.

The final seasonally-adjusted index for volume of retail sales in April is 105.9 (1979=100), against 106.6 in March. This is only fractionally over the poor figures of 105.5 and 105.4 for the third and fourth quarters last year. The first-quarter figure for 1982 was 106.6, the same as that of 1981.

In April £728m of new credit was drawn by finance and credit houses and retailers. Total new advances in the three months to April were 8 per cent higher than in the previous three months.

Export of services down. Page 10.

UK—Japan telecom deal likely

BY GUY DE JONQUIERES

BRITAIN and Japan are close to agreement on a framework for bilateral co-operation in telecommunications technology.

The agreement would cover both industrial collaboration and joint efforts in long-term research and development.

The two countries have been discussing a joint approach for several months. An agreement is expected to be finalised in London today by representatives from both governments and their telecommunications authorities.

The agreement is understood to cover three broad areas:

- 1-The exchange of telecommunications administrations and industrial companies in Britain and Japan. 2-A joint study on possible co-operation on clearly-defined long-term research projects aimed at achieving breakthroughs in advanced telecommunications technology. Such projects could involve exchanges between universities as well as national telecommunications laboratories and companies. 3-Discussion of ways to connect the British and Japanese positions in the International

Telecommunications Union (ITU).

The union is a 155-member inter-government organisation which seeks to co-ordinate world telecommunications policies, particularly in the developing countries.

Britain is also seeking collaboration with UK and Japanese companies on assembling a package of low-cost telecommunications systems suitable for use in developing countries, although this will be subject to further negotiations.

It was emphasised in London yesterday that implementing the agreement would require further discussion and the negotiation of detailed arrangements between the different parties involved in the two countries.

No firm projects have yet been agreed for joint research and development. But the British Government is pressing for collaboration on the development of new communication techniques to link the advanced Fifth Generation Computer systems which Japan plans to build by the early 1990s.

Such techniques could involve the use of light signals to switch,

as well as to transmit, communications, and systems which would give simultaneous translation of conversations between speakers talking in different languages.

The discussions in London this week have included participants from Britain's Industry Department, British Telecom, the Post Office and Plessey.

Japan has been represented by officials from the Ministry of Posts and Telecommunications; Nippon Telephone and Telegraph, the domestic telecommunications monopoly; KDD, which handles international communications, and the Japanese Post Office.

The talks started after a visit to Japan last autumn by Sir Keith Joseph, the former Industry Secretary. Japan and Britain have already agreed on joint ventures in several fields of communications technology.

GEC-Marconi of Britain is collaborating with Mitsubishi of Japan on the international marketing of satellite earth stations, while the British Post Office is conducting trials of a compact, low-cost, facsimile transmission system developed by the Japanese.

enemy lines," one said. Syrian official communiques also became more belligerent during the day. A military spokesman said that the Israelis had widened their aggression.

"Our land troops and air force are confronting enemy armour and using all the means at their disposal. We have inflicted heavy casualties on the Israelis," he said.

Israel reported yesterday morning that 25 of its soldiers had been killed in the first two days of fighting which began on Sunday. Another 95 had been wounded and seven were missing.

Weather

UK TODAY

SUNNY periods and dry after early fog. England, Wales, S. W. Scotland, N. Ireland. Sunny periods, very warm, cooler with fog on some coasts. Max 25C (77F). N. E. Scotland, Orkney, Shetland Sunny intervals, cloud. Max 15C (59F). Rest of Scotland Sunny periods, cooler on coasts. Max 22C (72F). Outlook: Hot with thundery rain, then much cooler and unsettled.

WORLDWIDE

Table with columns: City, Day, Temp, Day, Temp. Lists weather for various global locations.

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